

Israeli election
A big step on the
road to peace

Page 4

Globex
How it will change
futures trading

Page 15

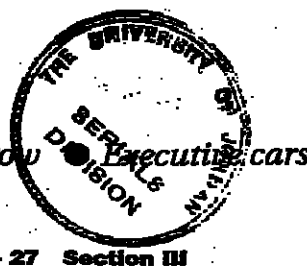


South Africa
Codesa at the
crossroads

Page 12

Surveys
Glasgow

Pages 25-27 Section III



FINANCIAL TIMES

Thursday June 25 1992

EUROPE'S BUSINESS NEWSPAPER

D8523A

ANC rejects move by de Klerk to restart talks

South Africa's political crisis deepened last night as the African National Congress rejected President F.W. de Klerk's call for a two-day meeting to break the impasse in the peace process.

In a statement issued after Mr de Klerk's attempt to defuse tensions arising from last Wednesday's Botopong massacre, the ANC said the proposed meeting would "serve no useful purpose". Page 14; A step back from the brink, Page 12

Deimler-Benz, German engineering, aerospace and electronics group, is likely to see turnover reach the "magic DM100bn (\$63bn) mark" this year, against DM95bn last year, according to the company's chief executive. Page 15

Shevardnadze survives coup: Eduard Shevardnadze, the Georgian leader, survived a coup attempt in Tbilisi hours before he signed an agreement with Russian president Boris Yeltsin to end fighting in the breakaway region of South Ossetia. Page 2

Olympia & York hopes to raise at least \$100m by selling a minority shareholding in its main US property subsidiary to one or more investors. Page 15

Italian premier urges radical reform: Italy's prime minister designate, Professor Giuliano Amato (left), unveiled sweeping plans to tackle the public sector deficit. He plans cuts in welfare spending and a tighter rein on the state payroll, as well as greater accountability for local authorities. Page 2

HK split over reform: Hong Kong's legislature split over the pace of democratisation, ending the pact which was pushing for more popularly elected seats. Page 5

Wellcome Trust, UK medical charity, is expected to sell 320m-330m shares in Wellcome, reducing its stake in the drugs group to about 35 per cent, in the global offering scheduled for next month. Page 15

France recorded a FF4.5bn (\$840m) trade surplus in May, bringing the surplus over the previous 12 months to FF19.4bn, the best result for 20 years. Page 2

Dirty tricks accusations: Ross Perot accused George Bush of orchestrating a "Republican dirty tricks committee" to discredit his presidential campaign. Page 6; Bush applies the heat, Page 14

Mitromsky recalls parliament: Canada's prime minister Jean Mitromsky is to recall parliament on July 15, during his summer break, to resolve the constitutional impasse over Quebec.

Sarajevó shelling: Serb anti-aircraft gunners blasted a hospital bus in Sarajevó, killing a doctor, but fighting subsided as rival militias considered new UN ceasefire proposals. Hard times ahead. Page 2

Eurofighter: The UK's defence procurement minister described as "folly" proposals by Germany's defence minister to scrap the European Fighter Aircraft. Page 7

Peacekeepers attacked: A UN helicopter was hit by ground fire in Cambodia, fuelling speculation that the Khmer Rouge was offering rewards for attacks on UN peacekeepers.

Lloyd's of London came under sustained criticism from the Names whose assets provide the market's capital base at its annual general meeting, when yearly losses of £2.06bn (\$3.5bn) were announced. Page 7; Lex, Page 14

Japan's federation of employers severely criticised US trade and economic policy, warning of the danger of US protectionism. Page 5

Shearson Lehman Brothers, Wall Street brokerage house, paid a \$500,000 fine to the New York Stock Exchange in connection with an alleged case of stock manipulation in 1990. Page 19

Argentina reached an agreement with its leading bank creditors to restructure the country's \$33bn medium-term debt under the Brady plan. Page 6

Royal Dutch-Shell, Anglo-Dutch oil group, plans to build a joint venture oil refinery costing at least \$3bn in China's southern province of Guangdong. Page 3

Pirelli, loss-making Italian tyres and cables concern, agreed the first in a series of disposals aimed at lowering debts and speeding a return to profitability. Page 16

STOCK MARKET INDICES

FT-SE 100	2,532.8	(-28.0)
Yield	4.84	
FT-SE Eurostoxx 100	1,145.89	(-3.40)
FT-AE Share	1,294.88	(-1.98)
FT-A World Index	1,371.88	(-0.85)
Nikkei	16,853.87	(-253.32)
New York		
Dow Jones Ind Ave	3,298.7	(45.08)
S&P Composite	463.84	(-1.12)
US CLOSING RATES		
Federal Funds	5 1/4	(3 1/4)
3-mo Treas Bill	5 1/4	(3 1/4)
Long Bond	10 1/4	(10 1/4)
Yield	7.89	(7.84)
LONDON MONEY		
3-mo interbank	10 1/4	(10 1/4)
Little long gilt future	97 1/2	(Sep 97 1/2)
NORTH SEA OIL (Argus)		
Brent 15-day (Aug)	22.85	(21.25)
Oil Gold		
New York Comex (June)	342.8	(344.5)
London	342.85	(344.05)
Tokyo close Y 127.85		

Rabin calls for pro-peace parties to join coalition

By Hugh Carnegie in Jerusalem
and George Graham in
Washington

MR YITZHAK Rabin, Israel's prime minister-elect, yesterday capitalised on the Labour party's triumphant return to power in the country's election on Tuesday by calling for coalition partners who share his commitment to Middle East peace talks.

The US yesterday pushed for a speedy resumption of the peace talks, while most Arab and Palestinian leaders welcomed Mr Rabin's victory.

However, Jewish settlers, still building in occupied Arab lands, vowed yesterday to block Mr Rabin's plans for Palestinian autonomy within nine months.

"We are against autonomy in the strongest of terms. It is a precursor to a Palestinian state," said settler spokesman Bob Lang.

"We will fight by every democratic means possible that it should never happen."

Labour's win over Mr Yitzhak Shamir's Likud party left Mr Rabin, premier in the mid-1970s, in a commanding position with 45 seats against Likud's 32.

With the support of Labour's traditional small party allies in the Knesset (parliament) he found himself in the unexpected position of leading a majority government without having to forge costly deals.

Mr James Baker, the US secretary of state, said he hoped the next round of bilateral peace talks would take place "just as soon as it is conveniently possible in the aftermath of the formation of a new government".

The last round ended in

Page 4

■ Rabin will be no pushover for peace process

■ Arabs see chance for new era

■ Washington looks to less frosty relationship

Editorial Comment ... Page 12

Washington in April. Although the Arab and Israeli participants have since agreed to hold the next round in Rome, no date has yet been fixed.

The Likud was consigned to opposition for the first time since 1977, unless it was prepared to join Mr Rabin as a junior partner on Labour's terms. The Labour leader has often favoured an alliance with Likud, but the losing party showed no sign of accepting the humiliating deal.

Likud ministers and officials went to ground yesterday, offering almost no comment to the media on the election. Earlier, Mr

Shamir hinted that he might soon retire, saying he was near the end of his "personal road".

Egypt said the result could give a "strong push to peace efforts and the reaping of a golden opportunity to achieve historic reconciliation between Israel and the Arabs".

Mr Yasser Arafat, the chairman of the Palestinian Liberation Organisation, said Israel's had voted "against war and the terrorism of Shamir". Mrs Hanan Ashrawi, spokeswoman for the Palestinian negotiating team, said she hoped Mr Rabin would move quickly to reach an interim settlement, allowing Palestinian autonomy in the occupied West Bank and Gaza Strip.

Mr Rabin did move quickly to revive an issue which earlier this year caused an unprecedented rift between Israel and the US. He said he hoped his willingness to curb Jewish settlements in the occupied territories would prompt the US to release \$10bn in loan guarantees Israel wants to help it finance the absorption of ex-Soviet immigrants.

However, Mr Rabin said he was not prepared to freeze all settlements, the price Washington had demanded for the loan aid.

Mr Baker said it was better "not to speculate or engage in questions like [the loan guarantees] until a new Israeli government had actually been formed."

Delors promises greater EC decentralisation

By David Suchan in Brussels

MR JACQUES DELORS, the European Commission president, yesterday struck a conciliatory tone ahead of the Lisbon summit which begins tomorrow by promising a more decentralised European Community. He also promised to scale down EC finance plans and predicted the Community's early enlargement.

In uncharacteristic vein, he publicly apologised for the "mistake" he recently made in warn-

ing Denmark, on French television, that it might lose EC farm subsidies if it failed to ratify the Maastricht treaty.

He claimed he said this because he had been "so traumatised" by the fuss French farmers have made about EC agricultural reforms. "Henceforth," he told a pre-summit press conference, "I will say nothing about Denmark and its future".

Addressing the Lisbon summit's three big themes - EC financing, enlargement and subsidi-

arity (making decisions at the lowest appropriate level of government) - Mr Delors predicted the meeting would set "concrete guidelines" for a financing settlement by the end of the year.

He conceded the Commission had been "over-confident" in asking governments to raise EC spending by one-third by 1997, when slow growth had tightened constraints on their own budgets. He backed a compromise to stretch revenue increases until 1999, but warned northern states

they must fulfil political commitments to give the south more aid.

The Lisbon summit, Mr Delors forecast, would agree that entry negotiations with European Free Trade Association states could start once the EC reached budgetary agreement and ratified Maastricht. Other applicants and potential applicants in east Europe would have to wait.

By contrast, in his pre-summit letter to fellow leaders, Mr Anibal Cavaco Silva, the Portuguese prime minister, who will host the

Friday-Saturday meeting, saw a budget settlement as the EC's only precondition for opening enlargement talks.

UK officials yesterday stressed their belief that Maastricht ratification need not be wrapped up before talks with the EFTA countries begin.

Danish rejection of Maastricht has aggravated tactical divisions over enlargement, as well as spurring a growing debate over subsidiarity. Mr Delors widened this debate yesterday by suggest-

ing that, even in natural areas of transnational legislation like the environment, responsibility for ensuring compliance with EC rules could be handed to individual governments. Asked whether uneven compliance might compromise the EC's vaunted single market, he replied: "The best [the single market] can be the enemy of the good [subsidiarity]".

Maastricht poll: Bull subsidies allowed, Page 2
Working hours, Page 14

Vaccines grown in leaves of plants

By Clive Cookson in London

BIOTECHNOLOGISTS in the UK and US have found a way to produce animal and human vaccines in plants. The first experimental vaccines, against foot-and-mouth disease and AIDS, are growing in a British greenhouse. The vaccines come from leaves of the cowpea plant, whose normal crop is the black-eyed pea.

The invention will be announced at a scientific meeting at the Royal Society in London next week. It opens the way to manufacturing vaccines for a wide range of diseases more cheaply than is possible with today's systems, which use live animals or cell cultures.

Plant-grown vaccines are also likely to be more stable, with a longer shelf life than those available today. They could be stored for years without refrigeration - an immense potential advantage in developing countries.

Agricultural Genetics Company (AGC) of Cambridge has developed the plant vaccine system in collaboration with researchers led by Prof Jack Johnson of Purdue University in Indiana and Dr George Lomonosoff of the John Innes Centre in Norwich, England.

The first vaccine, for foot-and-mouth disease, is already giving promising results on guinea pigs at Britain's Institute of Animal Health. Animal

tests are now getting under way with a second plant-grown vaccine - against HIV.

The system is based on a plant virus, the cowpea mosaic virus (CPMV). The scientists discovered that its structure is particularly well suited to genetic engineering. They have hooked antibody-stimulating proteins from animal viruses on exposed "loops" on the surface of CPMV.

In animals, natural CPMV produces the strong immune response that is essential for successful vaccination. But, as a plant virus, CPMV cannot actually infect animals. This should make it safe for use in humans.

AGC's production system involves infecting cowpea seedlings with genetically activated CPMV and harvesting the plants after two weeks to extract viral particles, which are then formulated into a vaccine. Each cowpea leaf contains enough material to make 200 doses.

Dr Roger Gilmore, AGC chief executive, says the company will look for an established vaccine or pharmaceutical manufacturer with which to collaborate on commercialising the discovery. He hopes to develop a range of vaccines, including hepatitis A and B and the rhinovirus, which cause the common cold. It should also be possible to produce "multivalent" vaccines that protect against several diseases with one shot.

US tobacco ruling gives go-ahead to some claims

By Nikki Tait in New York
and Philip Rawstone in London

THE US Supreme Court yesterday ruled that suits can be brought against tobacco companies under individual states' product liability laws, giving the green light for some personal injury claims.

Ambiguities in the judgment, however, allowed both the tobacco industry and the anti-smoking lobby to hail the court's 7-2 decision as a victory.

The ruling overturns the industry's claim that such suits should be barred because federal law requires that cigarette packets carry health warnings. Congress passed the cigarette labelling laws in 1965 and 1969.

The decision comes in the context of a long-running case brought by Mrs Rose Cipollone against three tobacco companies, after she had a cancerous lung removed in 1983.

The Supreme Court justices expressed a range of views over what type of claims could be brought under state liability laws. The majority concluded some of the claims brought in the Cipollone case - for example

Continued on Page 14
Big cloud over tobacco, Page 6
Lex, Page 14

CONTENTS

News	1	Leader Page	12	Crossword	36	Foreign Exchanges	35	Bourses	37-40
European News	2	Letters	13	Chess	37	Gold Markets	35		
International News	4-6	Management	8	UK	22-24	Equity Options	36		
American News	4-6	Observer	13	Int. Cap Mkts	19-20	Managed Funds	36-38	Surveys	
World Trade News	3	Technology	9	Int. Companies	16-18, 19	Money Markets	36	■ Glasgow	25-27
UK News	7	FT Law Report	10	Markets	21	Recent Issues	36	■ Executive Cars	
Weather	14	People	10	Commodities	26	Share Information	30-31, 40		
LEX	14	Arts	11	FT Acquisitions	29	London SE	29		
Features	14	TV and Radio	11	FT World Actuaries	40	Wall Street	37-40		

NEWS: EUROPE

Commission warns on double taxation agreements

Brussels opts for modest, more consultative stance on corporation tax levels, writes Andrew Hill

EC governments yesterday warned not to enter into double taxation agreements with countries outside the EC as some treaties could be potentially discriminatory.

Mrs Christiane Scrivener, the commissioner responsible for fiscal matters, confirmed that the European Commission was studying bilateral double taxation treaties to establish whether they disadvantaged companies based in other EC countries.

The most recent and important example of such a treaty is that between Germany and the US. But the Commission is unlikely to act precipitately against potentially dis-

crimatory agreements. Instead, Mrs Scrivener yesterday outlined a softly-softly approach on corporate tax.

The Commission's modest proposals on corporate tax are likely to relieve EC governments - notoriously sensitive about tax matters - at the same time as they may dis-

appoint tax hardliners.

They follow the report of an expert committee - chaired by Mr Onno Ruding, the former Dutch finance minister - submitted in March. The Ruding report called for radical harmonisation of EC corporate tax rates at between 30 and 40 per cent, and

rapid action to eliminate differences in national corporate.

But Mrs Scrivener said many of the committee's suggestions went "beyond what is absolutely necessary in the Community in the initial phase." The Commission has rejected the idea of a maximum corporate tax rate, and believes that, although a minimum rate is "worth examining thoroughly," 30 per cent would be too high.

Mrs Scrivener's concerns are more practical than ideological. Tax matters have to receive unanimous approval of member states, and, as the commissioner said yesterday: "I

would like to avoid a situation where we make proposals which spend 17 years gathering dust."

That was roughly how long it took to motivate member states' discussions on earlier company tax proposals aimed at easing the fiscal situation for multinationals which have subsidiaries in several EC countries. The plans outlined yesterday are likely to be transformed into legislation by the end of the year and should nudge forward the process.

First, the Commission is keen to make sure existing plans are adopted and implemented. It is urging member states to ratify a 1990

convention on the double taxation of cross-border asset transfers. So far only two member states have approved it. Two more parent-subsidiary directives also need to be adopted.

Brussels is also suggesting specific action on some of the Ruding committee's recommendations, most of which it believes could be enacted through consultation and agreement, rather than legislation.

The main aim is the elimination of outstanding double taxation problems. Directives will be produced extending the parent-subsidiary directives to all companies. A con-

sultation procedure will be set up to pre-empt tax disputes over cross-border asset transfers. The Commission would also like to start talks with EC governments on the treatment of dividends from "foreign" companies and dividends from domestic groups. Some member states tax foreign-source dividends more heavily.

Mrs Scrivener believes such measures would go some way towards eliminating tax disadvantages of cross borders collaboration, but with the Commission under fire for its alleged tendencies towards centralisation, she is reluctant to push member states too far.

Brussels to allow FF6.6bn subsidies to Bull

By Andrew Hill in Brussels

THE European Commission is set to approve FF6.6bn (870m) of French government subsidies aimed at returning Bull, the French computer manufacturer, to profitability.

Sir Leon Brittan, the EC's competition commissioner, will ask his fellow-commissioners next week to clear the state aid. His investigation, which began last July, found that the money would be used for genuine restructuring and not simply to prop up an ailing company.

If Sir Leon had proposed blocking the aid he would almost certainly have faced a fierce battle within the Commission, and a damaging row with the French authorities at a sensitive time for relations between Brussels and the member states.

The French government has already injected FF2.2bn of fresh capital into Bull, but to its annoyance the Commission's inquiry has held up a second FF2.2bn capital injection for nearly a year. Last month, Paris announced the loss-making group would proceed with the second equity increase even though the Commission had not approved it.

The Bull case has also prompted concern in the Commission about the alleged sluggishness of Brussels' general competition inquiries, relative to merger investigations, which are subject to a binding five-month deadline. Sir Leon and his officials are already looking for ways to speed up their work.

Apart from the capital injection, Sir Leon's recommendation on Bull covers a further FF2.6bn of research funding and takes into account the FF540m investment in Bull by IBM, the US computer manufacturer, formalised last month, and last year's investment by NEC, the Japanese electronics company. That left the two companies with 5.88 per cent and 4.7 per cent of Bull respectively.

Those agreements should help Bull realise its ambition of returning to operating profitability by the end of this year and net profits by the end of 1993. But Commission competition experts believe the combination of aid and investment will not give Bull an unfair edge over its EC competitors. The computer group's rivals are said to have raised few objections to the French government's plan, which will involve heavy job losses and the closure of several factories.

Survey shows fall in support for Maastricht

By Ian Davidson in Paris

POPULAR support for the Maastricht Treaty has weakened in France, according to an opinion survey which gives 54 per cent in favour and 44 per cent against. The previous survey conducted by the CSA polling organisation for Le Parisien newspaper in early June, gave 69 per cent in favour and only 31 per cent against.

However, there has been a wide variation in the findings of different polling organisations on the Maastricht issue, although, in every case, supporters outnumber opponents.

The abstention rate may account for the difference and is easily determined by the result when the French vote in a referendum on the treaty, probably in September. Yesterday's poll points to an increase in the numbers who expect to stay at home, from 42 per cent in early June, to 50 per cent.

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Germans urge rethink of European union

By David Goodhart in London and Quentin Peel in Bonn

GERMANY'S employers and trade unions yesterday joined forces to urge the European Community leaders meeting in Lisbon this week to answer growing public doubts about the progress towards European union.

In a rare joint initiative, the two sides of German industry called for the member states to push through the ratification of the Maastricht treaty, but at the same time to face up to the "visible fears and reservations in the population at large".

They warned that the Danish rejection of the treaty reflected a wider backlash against "a centralised, bureaucratic Europe, remote from its inhabitants and lacking democratic legitimacy".

They called for "further development" of the treaty to spell out the principle of subsidiarity - maximum devolution of power away from the centre. They also proposed a new inter-governmental conference to strengthen democratic control and make EC decision-making more open to public scrutiny.

The declaration coincided with a highly critical analysis of the EC agreement on economic and monetary union (Emu) delivered in London by Mr Heinrich Weiss, president of the BDI, Germany's industrial federation, and one of the signatories of the declaration. The others were the BDA, the employers' federation, and the DGB, the trade union federation.

Mr Weiss suggested that many German employers had lost faith in Emu, and would now prefer to postpone it until well into the next century.

Speaking at the Royal Society for the Encouragement of Arts, Manufactures and Commerce, he said that Europe was not economically "mature" enough for monetary union. When it was finally introduced, it should be "the last stone, and not the first, in the edifice of integration".

The BDI has traditionally been one of the most enthusiastic supporters of economic and monetary integration among Europe's employers' organisations, and Mr Weiss' open hostility to speedy economic union will be taken as a further sign of a general cooling in public enthusiasm towards Emu in Germany.

"The speed of integration has been too fast," Mr Weiss said, adding in an apparent aside-swing at Chancellor Helmut Kohl: "There are too many politicians who want to go into the history books as architects of the new Europe."

In the latest German opinion poll on the subject, carried out by the Allensbach Institute, some 62 per cent of ordinary citizens said they did not believe the European currency would be as stable as the D-Mark. Among civic and business leaders, that proportion was higher, at 69 per cent.

The poll also showed a rise in those fearing a loss of identity in Europe, and dwindling support for the transfer of full-scale legislative powers to the European parliament.

Chancellor Kohl will be arguing strongly in Lisbon for some sort of clarification or declaration on the principle of subsidiarity, which should also help him satisfy the doubts of the 16 federal states in Germany, anxious at what they see as an erosion of their local authority through European union.

Hard times ahead for Serb democrats

By Judy Dempsey and Laura Silber in Belgrade

A FLEDGLING democratic movement is trying to establish itself in Serbia against overwhelmingly odds, in the form of an uncompromising domestic regime and international isolation.

Mr Dobrica Cosic, recently elected president of the reconstituted Yugoslavia (consisting of Serbia and Montenegro), is now engaged in extensive talks with opposition movements in Serbia, with the aim of eroding the powers of Mr Slobodan Milosevic, the Serbian president.

Although Mr Cosic was one of the architects of the plan for a greater Serbia promoted by Mr Milosevic, he now recognises that this plan has failed miserably.

Already, the Serbian president has lost control over sections of the army, which in theory is now directly under the control of Mr Cosic. In addition, he has lost the support of the influential Serbian Academy of Sciences, the Orthodox church, and the university.

Managers of major enter-

prises have denounced Mr Milosevic for his catastrophic economic policies, while the students, on strike now for 11 days, are demanding his resignation.

For his part, Mr Cosic, whose authority in Serbia is considerable, wants to create a broad platform of support to pave the way for free and democratic elections later this year.

"The question is whether Mr Cosic has the strength to carry out his plan...and prevent the country from sliding into civil war," said a senior European Community diplomat.

"We do not know how Milosevic will react. He is still capable of generating conflicts, for instance in Kosovo," the diplomat said. "Moreover, when the people reach a certain level of economic deprivation, they will take to the streets, and nobody will be able to control masses which will not be demanding democracy," he explained.

These efforts are also being hindered by fears that additional sanctions will be imposed. "The small democratic movement will be completely destroyed," he adds.



Government soldiers backed by tanks surround the television centre in Tbilisi which had been taken over by 300 rebels



An armed pro-Gamsakhurdia rebel is dragged away by Georgian national guards after the television centre was recaptured yesterday

Shevardnadze defeats coup attempt in Georgia

By John Lloyd in Moscow, Dmitri Volkov in Tbilisi and agencies

Mr Eduard Shevardnadze, the Georgian leader, survived a coup attempt in Tbilisi yesterday after a battle in which loyal troops recaptured television studios held by armed rebels loyal to the deposed president, Mr Zviad Gamsakhurdia.

The Georgian president then flew to the Black Sea and initiated an agreement to stop the ethnic conflict in the breakaway region of South Ossetia.

In the Georgian capital national guardsmen backed by tanks and helicopters regained control of the TV building in an attack after a government ultimatum ordered the insurgents to surrender within two hours or face an assault. At least three were killed when guardsmen unleashed heavy batteries of automatic weapon and tank fire at the rebels without waiting for the gov-

ernment deadline.

Mr Patnary Adamashvili of the ruling State Council put the death toll from the assault at three, with 26 hurt, but earlier put the toll at 40.

The government said the leaders of the short-lived rebellion, including a top Gamsakhurdia lieutenant, had been placed under arrest. The rebels, put at 300, seized the TV tower in the early hours of yesterday morning and called for the return of Mr Gamsakhurdia, now in exile in the Russian republic of Chechnia.

After the coup attempt Mr Shevardnadze, flew to the Black Sea resort of Dagomys and concluded an agreement with Russian president Boris Yeltsin aimed at ending the conflict in the breakaway autonomous republic of south Ossetia. Mr Shevardnadze said the coup had been partly aimed at preventing him holding the talks.

"We have signed an agreement on the principles of regulating the Georgian-Ossetian

conflict, which includes everything; a ceasefire, mutual co-operation and so on," Mr Yeltsin said before signing the pact yesterday.

The Russian president was quoted in a pool report filed by western correspondents from the Russian Black Sea resort. Mr Yeltsin said the two sides would send buffer troops to separate the warring factions on the borders of South Ossetia, which is part of Georgia.

South Ossetians want to merge with their ethnic kin in Russia's North Ossetia. Leaders of South and North Ossetia took part in the meeting between the Russian and Georgian leaders.

"In principle we have agreed over the next month to prepare a large political treaty between Georgia and Russia," Mr Yeltsin said. The package of documents would propose measures to stop the conflict and end bloodshed, he said.

The republic has suffered from increasingly bitter fighting in recent months.

French watchdog warns on waste Trade surplus to May best for 20 years

By William Dawkins in Paris

FRANCE'S official accounting watchdog, the Cour des Comptes, yesterday warned that public financial waste could not be curbed unless the government took more notice of its recommendations.

The court could only be useful "on condition that its conclusions...are taken up actively by the government and parliament," said Mr Pierre Arpailange, the watchdog's president, in its annual report on inefficiencies in France's huge public sector. This is the first time the court has openly complained over the frequency with which it is ignored.

Court officials estimate that less than a third of their suggestions lead to parliamentary action, well below the 95 per cent which their UK counter-

part, the National Audit Office, says it achieves. "The government has proclaimed its desire to fight corruption, so it should take our reports into account," said Mr Arpailange. If not, it should give reasons for rejecting them, he said.

Among the 28 examples of inefficiency in the report are inadequate financial control of international co-operation accords by state-owned defence equipment suppliers, which absorbed FF7.4bn (£750m) of French taxpayers' money in 1990. There is no central register of the 160 accords the court has managed to track down, nor any system of measuring performance, it says.

The court also highlights alleged property frauds at the Institut de France state cultural academy; criticises marketing at Bull, the state-owned

computer company; and highlights inefficiencies created by European farm subsidies.

The study highlights several examples of alleged dishonesty in public health spending, including a private clinic in the Nord-Pas-de-Calais which wrongly charged the government for FF4.5m-worth of operations. That cash has been reclaimed.

Established in 1807, the court has wide investigative powers, but almost no policing authority. A committee of senior civil servants was set up in the 1970s to put pressure on ministers to act on the court's suggestions, but has not met for 10 years, say court officials.

The government last year set up an interministerial committee to discuss the court's findings. It is due to meet for the first time later this year.

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Amato: reforming zeal

Italian premier urges radical economic reform plan

By Robert Graham in Rome

ITALY'S prime minister-designate, Professor Giuliano Amato, yesterday unveiled sweeping plans to tackle the country's huge public sector deficit, centring on cuts in welfare spending, a tighter rein on the state payroll and greater accountability and autonomy for local authorities.

The plans were contained in a 23-page discussion paper delivered to the 16 parties represented in Italy's new parliament. Restoring the country's public finances and bringing down

inflation are the central elements in the paper which seeks to provide a tight framework for Italy to comply with the terms of the Maastricht treaty.

The 54-year-old deputy leader of the Socialist party, who was asked to form a new government last Thursday by President Oscar Luigi Scalfaro, has refrained from detailed proposals in order to obtain reactions from the principal parties likely to support him. However, he is anxious to implement essential measures as soon as possible.

The paper is an unusual example of strategic thinking and takes on board all the criticisms directed at Italy's faltering economic and political structure by its EC partners.

According to Prof Amato, the next government must address four essential issues: the public sector deficit; electoral reform; organised crime and a clean-up of morality in public life.

On the economy, the paper says urgent decisions are necessary to curb public spending, especially the generous pensions scheme, public health

subsidies and civil service employment. It also singles out the need to reform taxes, limiting progressive taxation and ending some tax holidays while making collection more efficient. However, Prof Amato says short term measures like a mini-budget must be quickly accompanied by structural reform - reducing labour rigidities, creating more competition, and privatisation.

So far he only has the backing of the four-party Christian Democrat-led outgoing coalition. This gives him a 16-seat majority in the 630 seat cham-

ber of deputies but is insufficient for such a radical plan.

Yesterday Mr Carlo Azeglio Ciampi, the governor of the Bank of Italy, reminded the politicians yet again that the time was running out. Talking to the Italian bankers' association, he said the Bank had managed in the past two weeks to protect the lira but the wave of speculation against the currency had made quick action ever more pressing. Short-term interest rates have risen to almost 15 per cent and the lira has been trading close to its permitted floor with the D-Mark.

Munich summit lends impetus to farm talks

By Quentin Peel and Andrew Fisher in Bonn, and David Dodwell in London

CHANCELLOR Helmut Kohl is in contact with both the US government and the European Commission in an urgent effort to break the deadlock in the Uruguay round of trade liberalisation talks, the German government spokesman said yesterday.

"He believes that all possible efforts must be made to reach a conclusion in the Uruguay round before the (Group of Seven economic) summit in Munich," Mr Dieter Vogel said. "He is not the only one making an effort, but he is perhaps a little more heavily involved than others."

Also in Bonn, Mr Joseph Genscher, president of the International Chamber of Commerce, emerged from a pre-summit briefing with Mr Kohl claiming the German leader had responded positively to an urgent call for a breakthrough. Mr Heinz Schimmelbusch, the main German board member at the ICC, said world industry would be sent a negative signal by failure to make significant progress at the Munich summit. "Business will conclude that we are entering a protectionist world. Every business will act as if that world already existed," he said. The ICC delegation said its concerns had "hit a responsive chord".

The ICC told Mr Kohl that the credibility of the G7 leading industrial nations had been stretched to the limit by the Uruguay negotiations.

Referring to the "at best fragile condition" of the world economy, Mr Schimmelbusch, who also heads Metallgesellschaft, the German industrial group, said a collapse of the Uruguay round would further retard international growth.

In London, Mr Arthur Dunkel, director general of the General Agreement on Tariffs and Trade (GATT), told world grain traders that the recent EC decision to reform the common agriculture policy (CAP)

had enabled the Uruguay round "to gain greater focus". Remaining doggedly optimistic about a positive outcome, he noted: "Courageous and wise political decisions are urgently needed." He warned that a settlement of the EC-US farm trade dispute was only a first step to completing the round.

Market access and services negotiations had been stalled by the farm trade dispute. Disagreements over "bananas, shipping and financial services" remain unresolved, he said.

In Bonn, Mr Vogel said that there had so far been no significant shift in EC positions on farm trade reform, but the German government was making "very serious efforts to find at least a political agreement before the summit".

He said that it was unlikely - and undesirable - that either this week's EC summit in Lisbon, or the Group of Seven summit in Munich, should be turned into detailed negotiations on agricultural trade. "There will not be any game of agricultural poker between the EC and the US in Munich," he said.

Instead, German and British negotiators hope to draft a compromise that can be accepted by France, and then presented to US negotiators perhaps in Washington next week.

Reflecting the particular problems that France has in agreeing a farm trade settlement, the French trade and industry minister, Mr Dominique Strauss-Kahn, yesterday expressed doubts that the Gatt negotiations can be resolved before US presidential elections in November.

Negotiators in the five-year Uruguay Round will continue to work on various, technical issues in the meantime, he said, during a presentation of French trade figures.

France has been rocked by two weeks of protests by farmers who claim cuts in farm prices will put them out of business.

Genoa fearful of any storm in the port

GENOA'S hopes of reclaiming its crown as one of Europe's leading maritime centres are in danger of being dampened by renewed labour unrest, a history of which has spoiled the reputation of Italy's biggest port.

Once a byword for seaborne trade, Genoa's importance as a port collapsed during the 1970s owing to abysmal labour relations, inefficiency and poor management. Crucial develop-

Haig Simonian examines prospects for regaining past maritime glories

ments like containerisation were delayed, while constant strikes prompted shippers to look elsewhere for reliable services. Traffic shifted to smaller ports, such as La Spezia to the south, where lower costs and better services compensated for geographical disadvantages.

Today Genoa is trying to make up for its past, planning its expectations on a huge new facility at Voltri, six miles to the west.

When fully operational, Voltri will dwarf all the Mediterranean's other container ports. The 1m square metre site, opening next year, will be able to handle three of the world's biggest container ships simulta-

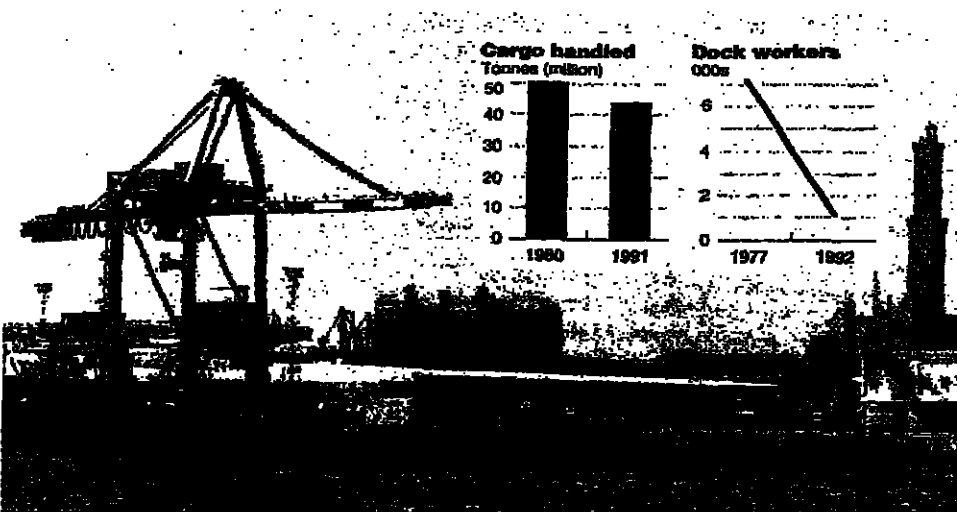
neously. Volume in the first year is expected to reach 100,000 containers, rising to 250,000 in 1995 and 500,000 by the end of the decade.

The project represents Genoa's ambition to regain its position in the Mediterranean, and even to challenge bigger, more established ports like Rotterdam and Hamburg for business between Europe and the Far East.

Voltri's case is based on geography. The new port is closer to many of Europe's main population centres than Mediterranean competitors or big north European rivals. Mr Rinaldo Magnani, the chairman of Genoa's port authority, notes that Genoa is nearer Vienna, Zurich and Munich than is Rotterdam, and is also 430km closer to Budapest, the door to the emerging markets of eastern Europe.

Offloading at Voltri rather than at Rotterdam could save up to two weeks sailing time for shippers from the Far East, port officials calculate. Depending on the type of vessel, this could make trips between \$200,000 (\$108,108) and \$500,000 cheaper. Cargo can be discharged sooner, reaching customers faster due to Genoa's proximity to many central and southern European destinations.

Genoa's problem is to convince sceptics that Voltri represents a definitive break with the old port's reputation for politicisation, poor service and



bad labour relations. Mr Magnani's trump card is Fiat, Italy's biggest private-sector company. Within its shift away from its core automotive business, the group is leading the development of Voltri through Sinoport, a subsidiary of its Cogefar-Impreit building and civil engineering arm.

Sinoport, which is investing L180bn (\$81.33m) in the new port, has taken 95 per cent of the shares in Voltri Terminal Europa (VTE), the company awarded a 60-year concession to run the new facility. The port authority holds the remainder of the equity.

Fiat's role as shareholder and manager is being cited as proof that Voltri represents a

change for the better. There are some signs of success. Mr Giovanni Leodari, the senior Fiat-Impreit executive who heads Sinoport, draws attention to the opening of a new roll-on roll-off ferry terminal at Voltri at the end of June - about a year ahead of schedule. The ro-ro facility, to be used by the state-owned Finmare shipping group for a fast ferry service between the Italian mainland and Sicily, proves shippers' confidence, he says.

But Mr Leodari's main job is to persuade big international "round the world" shipping groups to berth at Voltri. Currently, the large container vessels playing the Far East to Europe route sail through the

Suez canal but discharge at ports like Rotterdam rather than stopping in the Mediterranean.

"In the past, shippers weren't able to find the service they wanted," says Mr Leodari. "So they just by-passed the Mediterranean ports and sailed on." Today, the big ports of northern Europe account for 77 per cent of the European Community's seaborne trade, against 28 per cent for those in the Mediterranean.

The aim is to reach long-term agreements with a number of leading shippers. On paper, Voltri's case is strong - the harbour is both large and deep enough for the biggest container vessels and

boasts 1,400m of linear quay-side. The new facility offers an area the size of 140 football pitches for storing and transshipping containers.

A newly-opened spur means Voltri has direct access to Italy's motorway network. Rail connections have been improved so that containers heading north can reach the main lines to Milan and Turin without having to pass through Genoa.

Voltri is also aiming to create a broader package of services that could involve closer links with leading ports in the Far East. Mr Leodari would clearly like to emulate Singapore, where the volume of container traffic has grown by 20-25 per cent a year in the past five years.

This month's upsurge of labour trouble at Genoa's old port could hardly have come at a worse time. Dockers at one terminal last week refused to handle a cargo in protest at the gradual privatisation of facilities, being pushed through by Mr Magnani, himself an ex-docker. On Tuesday, dockers blocked a second attempt to restart operations. Port officials are playing down the conflict and stress it could not happen at Voltri, which will not be covered by the existing national dock labour scheme. But the incident provided an uncomfortable reminder of the sort of trouble that sent Genoa's reputation sinking in the first place.

Japan construction cartels hit

By Steven Butler in Tokyo

JAPAN'S Fair Trade Commission (FTC) has saddled 66 construction companies that have admitted to rigging bids with an enormous pile of paperwork in an effort to prevent them from forming cartels again.

The paperwork consists of obtaining individual signed pledges from all company employees - and there are more than 100,000 of them - that they will not take part in illegal activities. The boards of the 66 companies must also approve resolutions to refrain from violating the anti-monopoly law. The measure appears

to be a mildly more severe slap on the wrist for the guilty companies, following a "cease and desist" order issued against the companies in May, after which they were forbidden to bid on selected government contracts for one month.

The action by the FTC is aimed at the practice by which Japanese companies rig bids among themselves in an effort to pass work in rotation among the companies. Although the government says the practice is rare, the US believes cartels are normal in the industry and it has objected.

There was disappointment in May when the FTC decided against prosecuting the 66

companies, which had admitted to routinely rigging bids. The FTC, however, argued that obtaining convictions under Japanese law would have proved impossible, since individuals rather than companies would have to be prosecuted. It is not entirely clear how obtaining pledges signed by everyone from the chairman of the board to a crane operator will prevent bid rigging.

Kajima, one of the bigger companies involved, says it will have to collect some 13,000 pledges, all validated with a personal seal. It says, however, that some companies have asked the FTC to reduce the number of signatures required.

Shell plans \$3bn refinery for China

ROYAL Dutch-Shell plans to build a joint venture oil refinery costing at least \$3bn (\$1.6bn) in China's southern province of Guangdong, a company official said, Reuters reports from Hong Kong.

"It will be one of the biggest petrochemical refineries in China with an annual capacity of 5m tonnes of crude oil," said Mr Albert Wong, a spokesman for Shell in China and Hong Kong. No deal had yet been signed, but Mr John Jennings, the managing director, had toured the proposed site near the coastal town of Aotou.

Asia-Pacific states agree to formalise trade links

FIFTEEN nations have agreed on the first steps to turn their Asia-Pacific Economic Co-operation (Apec) group into a permanent institution, writes Peter Ungphakorn in Bangkok.

At a three-day meeting that ended in Bangkok yesterday they agreed to set up a small secretariat, initially headed by an official seconded from one of the member governments.

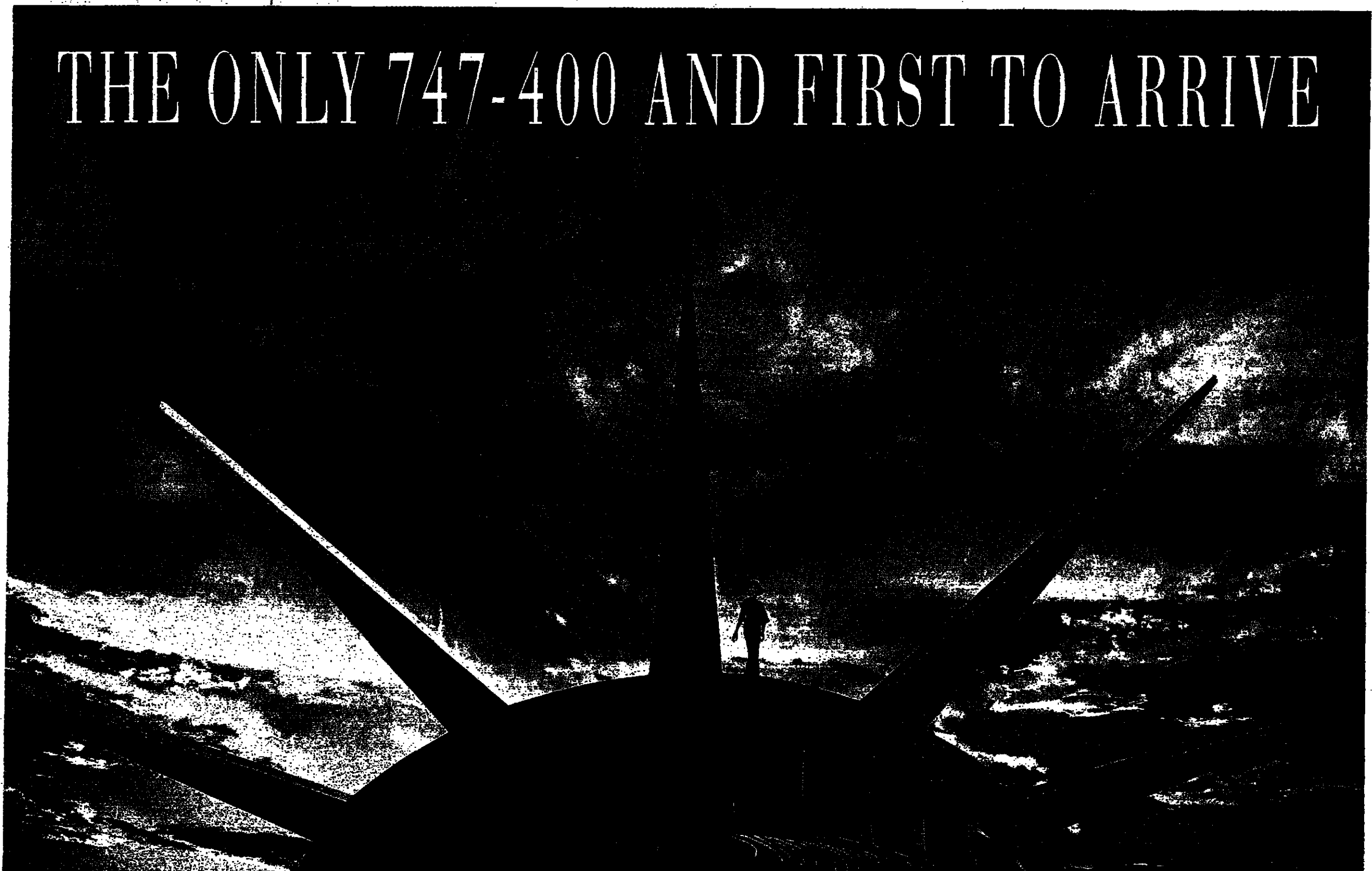
"This really represents a new stage in Apec's development. Whereas before it was a dialogue organisation, now it will be an institution," said Mr Ted Delofski, head of the Australian delegation. Since its cre-

ation almost three years ago, Apec's main achievements have been to hold annual meetings of its trade and foreign ministers and to devise 10 programmes for co-operation in subjects ranging from fisheries to lowering trade barriers.

Some members, most notably Australia and New Zealand, barely disguise the fact that they see Apec as an insurance policy in case the world breaks up into warring trade blocs.

The 13 other members are: the US, Canada, Japan, South Korea, China, Taiwan, Hong Kong, Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand.

THE ONLY 747-400 AND FIRST TO ARRIVE



On 2 July, Singapore Airlines introduces its first non-stop service to New York. The exclusive MEGATOP 747 departs Brussels at 10 a.m. every Tuesday, Friday and Saturday and Frankfurt at 8.35 a.m. every Monday, Thursday and Sunday, arriving in New York (JFK) ahead of others and in good time for lunch. So now you can relax all the way to the Big Apple whilst enjoying inflight service even other airlines talk about. SINGAPORE AIRLINES

ISRAEL UNDER LABOUR

Rabin will be no pushover for the peace process

Hugh Carnegie reports on the end of Likud domination

IT IS fanciful to think that a country can change character overnight, but to many Israelis yesterday it felt like that exactly what had happened after Tuesday's general election.

In the space of a day, 15 years of government dominated by the unrepentant nationalist ideology of the Likud party were swept aside, replaced by a resurgent Labour party promising to make peace with Israel's Arab neighbours in a spirit of compromise and concession.

Words such as "revolution", "earthquake" and "historic" littered the comments of politicians, newspapers and ordinary people as they digested the election's implications. "Welcome to the new Israel," gushed an enthusiastic Labour supporter in Jerusalem.

The result was a defeat for the Likud that matched its own dramatic rise to power in 1977 under Mr Menachem Begin. He was the charismatic champion of "revisionist" Zionists who proclaimed Israel's biblical right to all of *Eretz Israel* - the "Land of Israel" including the Arab territories occupied in the 1967 Six Day War. It was symbolic that Mr Begin, long out of office, died shortly after the election was called. Under Prime Minister Yitzhak Shamir, his cautious successor, the Likud's foundations were about to shake. Likud's election loss was due in part to the defection of thousands of the country's poorer Sephardim, or oriental Jews, whom Mr Begin had made the bedrock of the party's support.

They like most of the 300,000 recent immigrants from the former Soviet Union, voted Labour in large part because of the dismal state of the economy. But they were also sufficiently reassured by Mr Rabin's image as a tough military man to support Labour's commitment to cede some of the occupied territories in exchange for peace.

In the end, the potency of Likud's stance on the West Bank and Gaza Strip and expanding Jewish settlements was blunted by the obstacle it clearly placed in the way of the US-brokered Middle East peace process,

which has proved highly popular among Israelis weary of years of conflict.

But how much will things now change under Mr Rabin, himself a cautious pragmatist? Ironically, he may find himself having to rein in "doves" in his own party and his allies in Meretz, the bloc of small left-wing and pro-peace parties which will be Labour's chief coalition partner. Both the Labour doves and Meretz espouse a much more radical commitment to giving up "land for peace" than Mr Rabin.

However, he should be able to move quickly to repair Israel's relationship with the US, bruised by a series of rows between the Bush administration and Mr Shamir's government. Labour's policy on the peace negotiations is much more in tune with Washington, which considers "land for peace" the essential basis of any settlement.

Mr Rabin also said yesterday he was hopeful that his commitment to stop government funding and subsidies for most of the Jewish settlements in the West Bank and Gaza would prompt Washington to release \$100m (£5.4bn) in loan guarantees which Israel badly wants to help finance immigration. President Bush withheld the guarantees because of Mr Shamir's absolute refusal to freeze the settlements.

In the peace talks, Mr Rabin has laid out a position which is clearly distinguished from Mr Shamir's government. Apart from his ultimate willingness to cede at least some territory in a final settlement, Mr Rabin is prepared to grant greater powers to the Palestinians in the interim stage of autonomy for the occupied territories than the "municipal autonomy" offered by Likud.

He says an autonomy accord, which he plans to reach within nine months of taking office, would include the withdrawal of Israeli troops from main Arab population centres and transfer of control of day-to-day administration to a Palestinian authority.

Mr Rabin says he would concentrate his efforts on reaching agreement with the Palestinians, before attempting a settlement with Syria. He says Israel should not "go down" from the Golan Heights, captured from Syria in 1967, for security reasons.

But Mr Rabin was at pains yesterday to stress that he would be no pushover. He said Israel would continue to exercise control over defence, security, foreign affairs and the Jewish settlements during the autonomy stage.

His stance on settlements is a long way from what the Palestinians are demanding. He is committed to expanding Jewish settlements in Arab East Jerusalem, the immediate West Bank hinterland, border areas such as the Jordan Valley, and the Golan Heights. His objection to settlements is confined to those in the West Bank and Gaza heartlands which he labels "political" or ideological, settlements.

Labour has been careful not to spell out exactly how much territory it would be willing to give up. The only policy guide it has ever published on the subject was a plan drawn up in 1970 by the late Yigal Alon, then deputy prime minister. The Alon plan envisaged annexing to Israel large chunks of the West Bank and Gaza and ceding the rest to Jordan.

The plan is now considered outdated, partly because the growth of Jewish settlements has complicated the picture. But Labour officials suggest they would be willing to cede more than was then envisaged. The plan's underlying emphasis on keeping what is considered vital for Israel's security remains valid.

As his task for Mr Rabin as the peace process is regenerating the domestic economy. Here the consensus among economists is the need for radical reforms, such as industrial privatisation and liberalisation of the capital and labour markets, to help generate growth urgently needed to alleviate unemployment running at 11.5 per cent and about 40 per cent among immigrants.

Mr Rabin talks of diverting the



Rabin's main policy commitments

Re-order national priorities away from Likud's commitment to holding "the land of Israel" to Labour's commitment to territorial compromise.

Improve relations with the US.

Accelerate the peace process - autonomy for Palestinians in West Bank and Gaza in nine months.

Shift emphasis of investment from Jewish settlements in occupied territories to development towns in Israel.

Generate employment to reverse flagging immigration from the former Soviet Union.

Shk3bn (\$660m) now spent each year on Jewish settlements to investment inside Israel. He hopes winning the US loan guarantees will free funds for a big programme of infrastructure investment. His goal is to revive immigration, which has slipped under the burden of unemployment but which is still regarded as a vital demographic asset for Israel.

However, Mr Rabin's commitment to economic reform looks suspect. He has said he favours only limited privatisation of the 150 state-owned companies - such as the airline El Al - to slip out of government control. He also comes from the traditional-

ist wing of Labour that was firmly socialist and which continues to support the strong ties with the Histadrut trade union federation which has been one of the main forces opposing wholesale market reforms.

It is ironic that the man who will preside over what a Meretz leader yesterday called a new era in Israel comes from the generation of the state's founding days. The outlook for Middle East peace is nevertheless brighter as a result of his election. But Yitzhak Rabin faces many formidable tests, at home and abroad, to prove he can indeed lead Israel to peace and prosperity.

See Editorial Comment

Unlikely hero gave Labour its triumph

By Hugh Carnegie in Jerusalem

THE resounding general election victory by the Labour party is more than anything a remarkable endorsement by Israelis of the leadership of a man who first became prime minister 18 years ago and who has never displayed the qualities of a natural politician.

It was the enduring popularity of Mr Yitzhak Rabin that carried Labour to its triumph, overturning the long domination by the right-wing Likud party that began shortly after Mr Rabin was forced to step down as Labour leader in 1977 amid a scandal over his wife's illegal foreign bank accounts.

Once he had at last unseated his successor Mr Shimon Peres in a party leadership ballot in February, Mr Rabin set about beating the Likud with a highly personalised campaign which played heavily on his record as a tough general and defence minister. The message was that voters fed up with Likud's poor performance in office could support Labour's more conciliatory stance on the Middle East peace process without worrying that the government would be "soft" on security issues.

Mr Rabin is an unlikely figurehead. At 70, his famous graying voice is prone to crack into a smoker's cough. His rhetoric is stolid, not inspiring. He appears flushed and weary and does not readily break into a smile. During the campaign, Likud tried to damage him by reviving stories of the breakdown he suffered as chief of staff on the eve of the 1967 Six Day War - he says it was exhaustion - and his reputation as a heavy drinker.

These attacks apparently

made no impact on Mr Rabin's electability - his most precious quality for Labour which had suffered four election failures under Mr Peres. But, judging by his rather frail appearance, there may well be a legitimate question mark over Mr Rabin's physical resilience. For now, however, the chief issue is how different his policies will be from those of the Likud which refused to give up any of the occupied territories in peace negotiations.

SEATS IN KNESSET

Labour	45
Meretz	12
Likud	32
Far right	9
Religious parties	17
Other parties	5
Total	120

Mr Rabin, born in Jerusalem under the British Mandate when only 150,000 Jews lived in all of what is now Israel, is committed to sustaining "the Jewish State" - that is, an Israel in which Jews form the overwhelming majority. It is for this reason above all others that he is prepared to give up those parts of the occupied West Bank and Gaza most heavily populated by Arabs.

"I have never believed that by swallowing over 1.5m Palestinians of the territories Israel will be able to be a Jewish democratic state. It would become a bi-national state. That is not the way I interpret the Zionist dream and the dream of generations of Jews about the return to Zion."

However, he warns there is no "short cut to peace", and that it has to be achieved without compromising Israel's security.

Arabs see chance for new era in peace-making

WITH A few predictable exceptions, Arabs have reacted positively to the Labour Party's election win. The Palestinians have urged Mr Yitzhak Rabin, the party leader, to move quickly towards autonomy negotiations.

Among the most favourable reactions were those of Egypt and Jordan, which hailed the victory as an opportunity for a new era in peace-making.

In Cairo, Dr Osama al-Baz, a senior foreign policy official, said Egypt hoped the result would "give a strong push to peace efforts and the reaping of a golden opportunity to achieve an historic reconciliation between Israel and the Arabs". In Amman, Dr Kamal Abu Jaber, Jordan's foreign minister, saw it as "the end of an era and the beginning of a new page in Israeli politics".

Positive reactions in Arab capitals to the defeat of Mr Yitzhak Shamir reflect a general belief that Middle East peace negotiations were doomed as long as the Likud government was in power.

Mrs Hanan Ashrawi, the chief Palestinian spokeswoman, expressed a common view when she told reporters in Amman that "the peace process has been rescued from Likud attempts at sabotaging it". She hoped that as soon as the new government was formed it would "proceed with the steps that it announced earlier".

This was a reference to Mr Rabin's promise to freeze "political settlements" in the West Bank and Gaza Strip those deemed not vital to Israel's security - and move quickly to begin negotiations on Palestinian self-rule in the occupied territories under the Camp David formula of 1978.

US-sponsored bilateral peace talks are due to resume in Rome next month between Israel and her Arab neighbours - including Syria, Lebanon and a Palestinian-Jordanian team.

The talks, launched amid much fanfare in Madrid last October, have made little progress. The presence in Rome of new Israeli negotiators seems certain to promote a more constructive atmosphere.

But Palestinian delegates to the talks warned that while the Labour party would be more flexible on autonomy, it was likely to adopt a hard line on the final status of the territories. The Palestinians want their own independent state, possibly in confederation with Jordan.

Syria reacted cautiously to

the change in Israel, although it applauded Mr Shamir's defeat. Mr Farouk al-Shara, foreign minister, said Damascus reserved judgement. Syria is seeking the return of the Golan Heights seized in the 1967 war, and annexed by the nationalist government of Mr Menachem Begin in 1981.

Mr Rabin has spoken of "creative solutions" to resolve the Golan issue, but has not gone into details, beyond raising the possibility of Israel continuing to utilise the heights while recognising Syrian sovereignty.

The Palestine Liberation Organisation welcomed the Labour victory. Mr Nabil

Tony Walker looks at Arab reaction

Shaath, a senior adviser to Mr Yasser Arafat, the PLO leader, said he hoped Mr Rabin would "stop settlements immediately and will proceed to bring about quick action to install a Palestinian interim self-government by November 1".

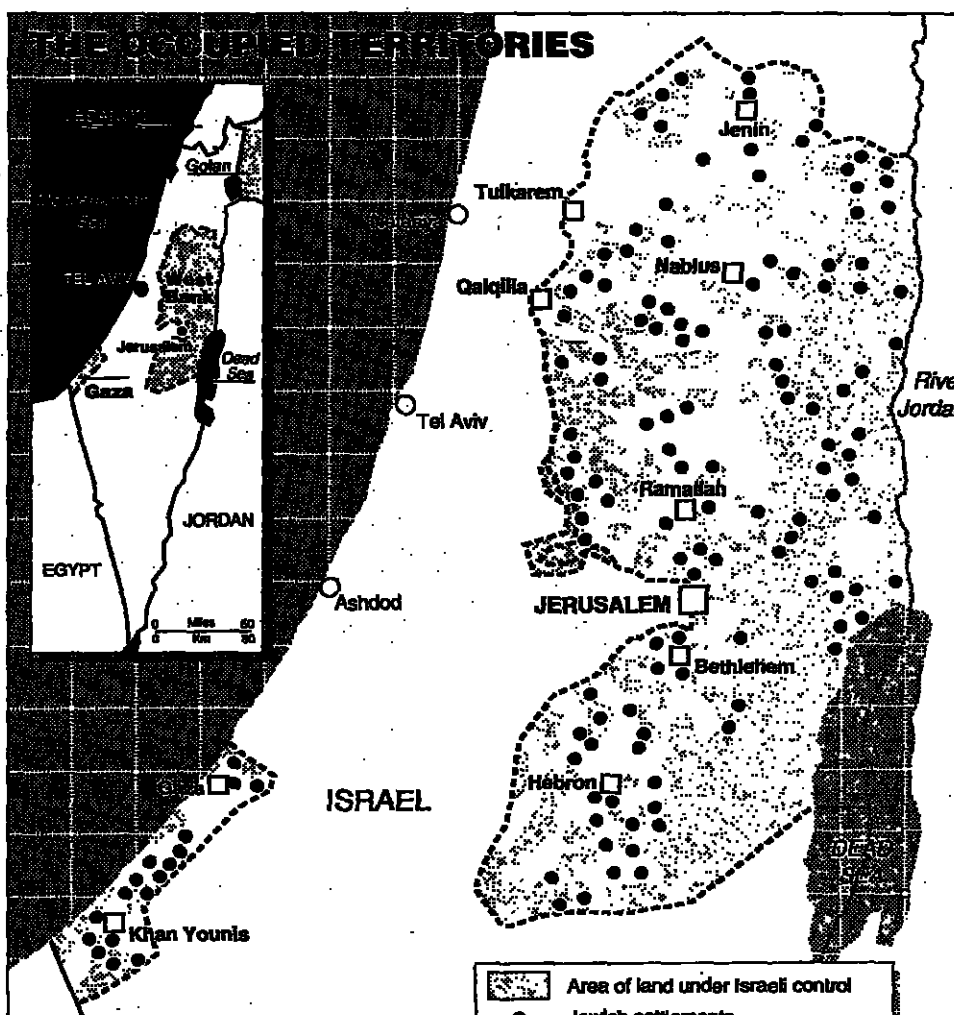
But in Jerusalem, Dr Mehdi Abdul Hadi, a prominent academic, said the Palestinians would now have to think more seriously about the implications and practicalities of autonomy. "We have to be prepared. They will want us to meet them half-way."

Palestinians in the territories have been engaged in planning for interim self-rule. Under such a formula Israel would retain responsibility for security, but would pull back from population centres allowing the 1.7m Arabs of the territories to administer themselves.

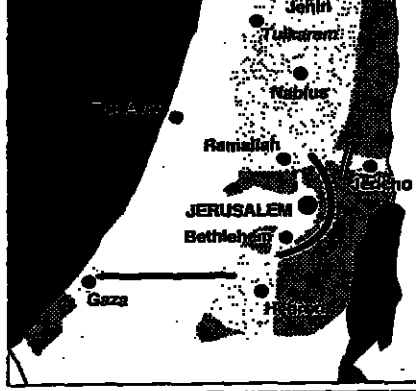
Four reactions to the Labour victory came from Iran and its proxy Hizbollah militia in Lebanon. Tehran Radio said there was "no fundamental difference" between Labour and Likud. "The victory of the Labour party... in no way signifies a decrease in the Zionist regime's expansionist expectations," it said.

In Beirut, a Hizbollah leader said the guerrilla warfare against Israel's south Lebanon security zone would continue.

The Lebanese government, on the other hand, said it hoped Mr Rabin would facilitate Israel's withdrawal from Lebanon under the terms of Security Council Resolution 425 passed during an Israeli incursion in 1978. Mr Rabin, as defence minister in a national unity government in 1985, helped set up Israel's 15km-wide security zone in southern Lebanon.



THE ALON PLAN, 1970



Area of land under Israeli control

Jewish settlements

Palestinian Arab towns

1949 Armistice ("Green") line

Israel population: 4,885,700

(including East Jerusalem and the Golan Heights)

Jews: 4,010,300

Other (mainly Arab): 885,400

Source: Israel Bureau of Statistics, April 91

Occupied territories:

Settlers (Jewish): 90-100,000

West Bank: (in approx 150 settlements) c. 3,000

Gaza Strip: (in approx 15 settlements) 12,000

Golan Heights: (in approx 30 settlements) 120,000

East Jerusalem: (in 12 neighbourhoods)

Source: US State Department 20.5.91 report

Palestinians: 900,000-1m

Gaza Strip: 670,000-750,000

Source: Israel's Civil Administration

Washington looks forward to a less frosty relationship

By George Graham in Washington

RELATIONS between the US and Israel have rarely been frostier than they have over the past two years, and the Bush administration's pleasure at the prospect of dealing with a new Israeli government is scarcely disguised.

President George Bush and Prime Minister Yitzhak Shamir never got along. They clashed on policy - notably about the issue of US loan guarantees to help resettle Jewish immi-

grants from the former Soviet Union, and about Likud's refusal to give up occupied territories in return for a Middle East peace settlement - but their conflict was compounded by personal antipathy.

Mr Bush and Mr James Baker, the US secretary of state, have always had a much warmer relationship with Mr Yitzhak Rabin, the Labour leader, who as defence minister was a frequent visitor to Washington earlier in the Bush administration.

The US administration yes-

terday refrained from direct comment on the Israeli election results, but Mr Baker made perfectly clear his belief that the likelihood of a Labour government should provide new impetus to the Middle East process, which has been largely stalled since the last round of negotiations in Washington in April.

"I would hope that we could see the next round of bilateral discussions taking place just as soon as it is conveniently possible in the aftermath of the formation of a new Israeli gov-

ernment," Mr Baker said yesterday.

While no one believes that progress in the peace talks will be easy, even with a Labour government, Baker is expected at least to be less dogmatic than Likud on the principle of giving up, in exchange for peace, some of the occupied territories.

On issues such as settlements policy and Palestinian self-government, the Labour party stands much closer than Mr Shamir's Likud to the Bush administration's view of the

ple all of *Eretz Israel* - the biblical Land of Israel - with Jews.

The settlers had grown accustomed to material and political support from the Likud party since it came to power in 1977. Since mid-1990, when Prime Minister Yitzhak Shamir formed a coalition with small far-right and religious parties, the patronage increased dramatically, led by Mr Ariel Sharon, the pro-settlement housing minister.

Settler numbers in the West Bank and Gaza grew by around 20 per cent to 100,000 - excluding a further 120,000 in Arab East Jerusalem. Construction began on more than 20,000 new apartments. Overall, the government was estimated to be spending around Shk3bn (\$660m) a year on settlements in the West Bank and Gaza.

Now the settlers are facing a very different outlook. Mr Yitzhak Rabin, the Labour leader,

supports settlement in East Jerusalem and other areas he deems important to maintaining Israel's security. But he has signalled a willingness to freeze what he calls "political settlements" and promises to channel government funds away from them to investment within "Israel proper".

He will face strong resistance. "If Labour wants to freeze the settlements and open negotiations on a Palestinian state, the Likud and the whole nationalist camp must stop it, not necessarily in parliament but with settlements," said Ms Geula Cohen of the Tehiya party, which lost all its three Knesset seats in the election.

Ms Baras pointed out another problem for Mr Rabin. The government is pledged to buy back at state expense any of the 9,000 vacant apartments in the territories which cannot be sold by their builders.

or weeks before a new Israeli government was in place. In Congress, too, aides said that while some members might see the Israeli election results as an opportunity to revive the loan guarantees issue, any discussion before the formation of a new government would be premature.

They noted that congressional opposition to the loan guarantees was based not only on Israel's settlements policy, but on a more general reluctance to vote for any kind of foreign aid in an election year.

Pace of democracy splits Hong Kong legislature

By Simon Holberton
in Hong Kong

HONG KONG'S legislature last night split over the pace of democratisation in the colony, bringing to an end an almost three-year pact which sought more popularly elected seats for the colony's 1995 elections.

The members of the legislature voted 25 to 23 against a motion by liberal legislator Mr James McGregor which asked for the Legislative Council's reaffirmation of the October 1989 "Omico consensus"

struck by members of both the Legislative and Executive (cabinet) councils.

The Omico consensus called for a much faster introduction of elective democracy in the colony than Britain and China had previously agreed. For the 1995 elections it proposed that 30, or half, the legislature should be directly elected, instead of the 18 earlier agreed by Beijing and London and the 20 subsequently achieved by the UK through negotiation.

The vote underlines the clear divisions over how best to deal

with China ahead of the colony's transfer to Chinese sovereignty in 1997.

Those who voted against Mr McGregor - all of whom were either appointed members or elected to the legislature through a limited franchise - said they saw no possibility of China agreeing to more elective democracy before 1997. It was, therefore, better to work with China rather than unnecessarily angering it, they said.

Mr McGregor's supporters - who included all popularly elected politicians - said that

only through an increase in representative democracy could the people's rights be safeguarded and Hong Kong be assured of the "high degree of autonomy" it was promised in 1984 when Britain and China agreed the terms of the transfer of sovereignty.

The vote highlights the difficulties facing Mr Chris Patten, Hong Kong's incoming governor. He will be one of the British government's key advisers on how to deal with China on a range of political issues in the lead up to 1997. But he will

have to tender that advice in the full knowledge that he represents a divided community.

The decision by the legislature also weakens the position of Britain which has, since early 1990, said it would raise the issue of faster democratisation with the Chinese government. On a visit to the colony in May, Mr Alastair Goodlad, a junior foreign office minister responsible for Hong Kong, said Britain would take up the issue with China soon.

In early 1990 the UK had achieved an increase to 18 from

10 popularly elected seats for the 1991 elections and an undertaking from China that no fewer than 20 members would be popularly elected in the 1995 elections. The spirit of this agreement was incorporated into the Beijing-drafted Basic Law - the colony's post-1997 constitution - and passed by the Chinese parliament in April 1990.

China has said repeatedly that it will not change the Basic Law before 1997 and has denounced those who want its amendment as "subversive".

Japan's employers launch attack on US trade policy

By Stefan Wagstyl in Tokyo

THE Japanese employers' federation, Keidanren, has launched an unprecedented strong attack on US trade and economic policy.

In a report on bilateral relations, the Keidanren accuses the US of dragging its feet over economic reform and warns of the danger of protectionism in moves to establish a North American Free Trade Area. It also expresses concern about the US insistence that its own institutions and practices are to be applicable as norms of the world economic and social system.

The report has been published just days before Mr Kiichi Miyazawa, the prime minister, is due to leave for the Munich summit of Group of Seven leaders. On his way he will visit Washington for a meeting with President George Bush to discuss bilateral trade and economic imbalances.

The Keidanren argues that Japan and its main trading partners must achieve *kyasei* - symbiosis - which is the

organisation's catchword for harmonising institutions and commercial practices.

It says Japan and the US have been discussing such harmonisation for three years in talks called the Strategic Impediments Initiative. The Keidanren says Japan has made progress in opening its markets as requested by the US, though more needs to be done.

However, it says: "The SHI process is designed to be a two-way street. Unfortunately, the US is lagging in its response to the structural issues raised by the Japanese side."

The Keidanren singles out contradictions in US policy - contrasting US demands for further deregulation in Japan with its requests for intervention by Tokyo to boost imports in specific sectors.

The report also makes criticism of the Japanese economy, including the opaqueness of commercial dealings, a tendency to work over-long hours and an exaggerated emphasis on market share.

Office space glut hits Tokyo property market

By Steven Butler in Tokyo

A GLUT of office space has finally struck the Tokyo property market, with a resulting decline in rents, according to a study by KK Halifax Associates, the property agent and developer.

While the excess of office space may be seen as a natural result of the high pace of building in recent years combined with the slowdown in the economy, many analysts had expected the plunge in property prices in the past year would have little impact on rents.

Halifax, however, says rents are already falling, and it forecasts an 11 per cent decline in rates this year, largely because Japanese companies have largely stopped seeking new leases.

It says that about 12m sq ft of office space was built in Tokyo annually from 1981 to 1985, but that this increased to 30m sq ft a year in the subsequent five years, an annual increase of 6.42 per cent.

Between 1985, the office population in Tokyo increased by 13 per cent to 4m, but additions to floor space rose 42 per cent, leaving a current potential surplus of 62m sq ft. Large additions to current stock are also expected this year and next, after which the momentum will give out.

Halifax says the vacant-building rate should climb from less than a quarter of 1 per cent in 1990 to 2 per cent this year. Vacant space in older buildings has climbed from 8.75m sq ft in 1990, to 28m sq ft on May 1.

Drought looms over talks on Indian aid

By David Housego in Paris

INDIA is to meet western donor nations in Paris today for a two-day meeting overshadowed by fears that the momentum of economic reform could be jeopardised by a worsening drought.

India is seeking from the consortium of donor nations under the chairmanship of the World Bank \$6.7bn (£3.6bn) in aid pledges for 1992-93 - most of which would be dispersed over the medium term. It is also seeking \$3bn in emergency balance of payments support for the coming year - of which \$2.4bn is expected to come from the IMF and the World Bank.

The meeting is seen as a

guide to the mood among givers of aid - in particular whether they push for tougher conditions on future assistance. The World Bank in its annual report on India's economy praised reforms over the last year but emphasised the need to maintain momentum.

The government's fear is that reform could be set back by a bad monsoon - exacerbating inflation and increasing food imports. Rainfall is forecast as likely to be well below normal, worsening the drought in central and western India.

The World Bank says India will require a gross capital inflow - grants and loans - of \$9.8bn in 1992-93 to finance its current account deficit and debt repayments.

Fresh move in Bombay scandal

STANDARD Chartered Bank yesterday lodged a formal complaint against two former employees, alleging that they were involved in a criminal breach of trust and a Rs4.9bn (£171m) securities fraud, Our Foreign Staff reports.

The two securities dealers at the bank's Bombay office were dismissed earlier this month after being implicated in India's worst securities market scandal. Seven other people were also named in Standard Chartered's complaint, which was lodged with the Bombay police.

A statement from the bank emphasised that it was co-operating fully with India's Criminal Bureau of Investigation which is spearheading the inquiry into the Rs4.9bn securities scandal that has forced the closure of the Bombay bourse. It also denied the CBI had raided bank premises as part of its investigation.

Correction Standard Chartered

Owing to a transmission error, the Financial Times yesterday incorrectly reported that the Indian authorities had brought criminal charges against Standard Chartered Bank in India in connection with a securities market scandal. The report should have said that criminal charges had been brought against two former employees of Standard Chartered Bank.



Nick Greiner, right, who resigned yesterday, pictured recently with Terry Metherell

Embattled state premier steps down

MR Nick Greiner, premier of New South Wales, Australia's most populous state, resigned yesterday five days after a finding against him by the Independent Anti-Corruption Commission, writes Emilia Tagaza in Canberra. He was replaced by Mr John Fahey, the industrial relations minister, who becomes Liberal party leader as well.

The commission found Mr Greiner had acted corruptly in sanctioning the appointment

of Mr Terry Metherell, an independent MP, to a senior public service job.

Mr Greiner was forced to resign after three independent MPs who hold the balance of power in the state parliament had threatened to vote with the opposition Labor party in a no-confidence motion.

Mr Greiner had offered to stand down until the Supreme Court ruled on his appeal against the commission finding and to resign if the court

upheld the finding.

The offer was rejected by the independents.

Two other ministers also resigned yesterday: Mr Tim Moore, the environment minister, who the commission found had helped arrange the appointment to the public service job, and Mr Michael Yabsley, the tourism minister, who had said he would quit if Mr Greiner resigned. Mr Metherell, has also quit the public service position.

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Big cloud over tobacco

The US Supreme Court filters a layer of smoke obscuring state liability laws, writes Nikki Tait

THE US Supreme Court ruling on smokers' lawsuits has hung, like an ominous black cloud, over the tobacco industry for 15 months. Yesterday, it knew the worst: the nine justices of the highest court in the US decided by 7-2 that smokers can sue tobacco companies under state liability laws.

Despite the emotion surrounding smokers' suits, the Supreme Court was dealing with a narrow, but fundamental, legal principle - the relationship between state and federal laws in the US. Given the record of the judges it was likely a majority would be loath to pre-empt the authority of the states entirely.

The case on which the decision is based is *Cipollone v. Liggett et al.* Mrs Rose Cipollone, a life-long smoker, sued three

tobacco companies after having a cancerous lung removed in 1983. She died in 1984, but the suit was pursued by her husband and when he died, her family continued the fight.

The Cipollone case was remarkable among the raft of smokers' suits because it progressed - at least briefly. In 1988, a Newark-based jury awarded Mr Cipollone \$400,000 on the grounds that the Liggett tobacco company had misrepresented the risks of smoking in its advertisements for Chesterfield and L&M cigarettes. Although the jury found contributory negligence on Mrs Cipollone's part, this was the first verdict requiring a tobacco company to compensate the family of a smoker who had died of cancer.

Two years later, however, the award was overturned by a

federal appeals court. The court concluded that jurors had been allowed to consider Mrs Cipollone's smoking habits after 1966 - when the federal law requiring health warnings on cigarettes packets came into force - but not the tobacco companies' post-1966 marketing practices.

This question of whether federally mandated warning labels protected tobacco companies from personal injury claims under state liability laws came to dominate the debate, with more contradictory rulings ensuing in other courts.

With a fundamental judicial issue at stake, the Supreme Court agreed to intervene in early 1991 - a move, incidentally, supported by both the tobacco companies and the Cipollone plaintiffs.

But, for all the jubilation in the anti-smoking camp yesterday, it remains a moot point how far the Supreme Court ruling will advance smokers' suits.

Only two justices - Antonin Scalia and Clarence Thomas - said they would bar all suits under state liability laws, the other seven offered a range of views on what type of claims are precluded by federal labelling law, and which are not. This should provide the lawyers with plenty of grounds for argument in the future.

Secondly, as the tobacco companies have noted all along, the ability to bring state liability cases to court, does not automatically mean that they will be won. The tobacco industry has mounted skillful defence tactics in the past - and arguments such as contributory negligence will doubtless resurface.



FLAGGED DOWN: A woman carrying a Venezuelan flag confronts a riot police officer in Caracas during the latest anti-government demonstration over free-market economic reforms

Congress may intervene in US rail strike

By Karen Zagor in New York

CONGRESS prepared to intervene in the US rail dispute yesterday, as the system ground to a virtual halt after a machinists' union strike against CSX Transportation, one of the biggest freight lines.

There are Congressional powers to impose labour settlements on the rail industry.

Mr Michael Boskin, White House chief economist, estimated that the strike would cost the economy about \$1bn a day and might lead to thousands of lay-offs.

Testifying before the House energy and commerce subcommittee on transportation, he said: "A prolonged strike could well push us into negative growth."

The car industry, which obtains parts and ships finished products by rail, is particularly vulnerable.

The coherence of the US rail system means a strike in one part can shut freight and some passenger traffic nationally.

CSX links with most of the main US rail gateways, including New Orleans, Chicago, Saint Louis, Memphis and Philadelphia. Also, passenger trains run on CSX tracks.

The International Association of Machinists had failed to agree with CSX over contracts.

Argentina does debt deal with banks

By Stephen Fidler, Latin America Editor

THE ARGENTINE government and its leading bank creditors yesterday announced they had reached a detailed agreement on a debt restructuring under the Brady plan.

An outline agreement on Argentina's \$23bn of medium-term international bank debt and \$8bn of interest arrears was reached in April, and the detailed accord comes after two weeks of intense negotiations in New York.

The final term sheet will be sent to all creditor banks shortly. Mr William Rhodes, vice-chairman of Citicorp, which heads the bank advisory committee, said he expected the deal to be signed by September and completed by year-end. However, there is no incentive payment, unlike in other Brady deals, to encourage banks to sign early.

The most available to banks is more limited than in any prior deal under the Brady plan, the debt reduction initiative launched three years ago by Mr Nicholas Brady, US Treasury Secretary.

Argentina has resisted allowing banks the option of making new loans, available for example in the Venezuelan and Mexican Brady deals. Banks have only two choices: exchange their old loans for new 30-year bonds with a discount to face value of 35 per cent, or exchange for "par" bonds which carry pre-set concessional interest rates. These bonds may be denominated in dollars or D-Marks.

Banks expressed concern last night that the freedom of choice of banks to choose might be further restricted by multilateral agencies - the International Monetary Fund and the World Bank, which support Brady deals with special financing. The agencies have indicated their support for the deal is dependent on the right mix of reduction in debt service and in debt principal.

Interest arrears will be treated separately, and Argentina has agreed to pay interest on the past due interest.

Missing Exxon man may be dead

By Alan Friedman in New York

FEARS are growing among US police and FBI agents that Mr Sidney Reso, the senior Exxon executive who went missing on April 29, may be dead.

Law enforcement officials have said that Mr and Mrs Arthur Seale, the former Exxon security guard and his wife who were arrested last week and charged with kidnapping Mr Reso, have been questioned by police but are refusing to co-operate.

The FBI, while seeking other suspects, is less and less certain whether the Seales - who are alleged to have demanded \$18.5m in ransom before they were captured last week - had an accomplice.

"If Mr and Mrs Seale are the only parties involved, we would not be optimistic about Mr Reso still being alive," one law enforcement official said. "We continue to hope there are additional co-conspirators still holding Mr Reso," the FBI said yesterday. "We continue to work on the premise that he is still alive, absent information to the contrary. But, as time goes on, one becomes less optimistic."

President calls for further rate cut by Fed

By Jurek Martin, US Editor, in Washington

PRESIDENT George Bush yesterday called on the Federal Reserve to cut interest rates further, on the grounds that the risk of renewed inflation was now very slight.

"I don't think the argument that lowering the rates will stimulate the long term - shoot the long-term rates up - is valid any more," Mr Bush said in an interview with the New York Times. Inflation, he asserted, was not "the big problem now."

His concern about the sluggish rate of economic recovery received some validation yesterday with the report that US durable goods orders in May fell sharply by 2.4 per cent, after revised increases of 1.9 per cent and 2.1 per cent respectively in April and March.

Although the monthly durable goods figures are notoriously volatile, the figures for last month were worse than the markets had expected and led to a decline in long-term Treasury bond rates.

The Commerce Department said the drop in orders for transport equipment, especially aircraft, and for defence goods accounted for most of the overall decline - but no important industrial sector recorded an increase.

In his interview, Mr Bush expressed natural political frustration that the statistical improvement in the economy

this year had not been reflected in the public opinion polls. These still show a popular perception of continuing decline and a lack of confidence in his ability to manage the economy.

He insisted he had to be "a little careful about Fed bash-ing", but "I don't know of anything" that would like to president that would like to advocate higher interest rates - and certainly "I'm not one."

The central bank, however, has preferred a cautious approach. It last lowered the overnight federal funds rate on April 9 to 3.75 per cent from 4 per cent.

In December it had cut the discount rate by a full percentage point to 3.5 per cent. It was reported to have decided to adopt a neutral stance at the last meeting of its open market committee, in May.

In congressional testimony last week, Mr Alan Greenspan, the Fed chairman, said considerable progress towards price stability had been made, but that the bank "fully intends to guard against re-igniting inflation".

Mr Bush's economic and political advisers are known to be concerned about the halting economic recovery.

It is axiomatic that the president's re-election chances hinge in good part on a more vigorous US expansion. The jump last month in unemployment - to 7.5 per cent - was precisely the sort of economic statistic that the president does not need at present.

Perot accuses Bush of dirty tricks campaign

By Jurek Martin in Washington

MR ROSS Perot yesterday bluntly accused President George Bush of orchestrating a "Republican dirty tricks committee" designed to discredit his independent candidacy for the presidency.

Recent accusations against him would "make Hitler's propaganda chief proud," Mr Perot said, adding that Mr Bush's anger over reports that the Texan billionaire had investigated the president's family was "a total act."

The president, he said, was "in charge of the whole process. That party does not run there out of control."

Mr Perot's extraordinary tirade was vented in a television interview yesterday morning, to be supplemented by a later news conference. Both events had been hurriedly arranged to allow him to respond to a series of recent reports that he had authorised investigations of the private lives of public figures, including the Bush family.

He claimed that the spate of stories had come out now because the White House thought he would announce his candidacy on his birthday, on Saturday, and wanted to "redefine" his personality. "The good news is that this will hurt them, and hurt them badly, because the American people are just furious with this little theatre programme they run in Washington," he said. Mr Perot's campaign telephone banks were reverberating with public anger, he claimed.

Mr Perot's personal antipathy towards the president has never been a secret, though he insisted yesterday he only had the "warmest, kindest feelings" towards Mr Bush and his family. He cited a 1986 letter from Mr Bush to thank him for having brought to his attention rumours that Mr Bush's sons

might have been involved in the Iran-Contra affair.

But this disclaimer paled into insignificance when compared with the rest of his remarks. It also drew a barbed response from Mr Marlin Fitzwater, the White House spokesman, who said the letter had been written at a time when Mr Bush considered Mr Perot a friend. "I think he [Mr Perot] has taken care of that now," adding that "Mr Perot's paranoia knows no bounds."

The president himself, in a TV interview to be aired this week, described the reports of Mr Perot's investigations of his family as "beyond the pale," adding: "Leave my kids alone, I say." Governor Bill Clinton, the likely Democratic party candidate, said Mr Bush was right in this.

More generally, Mr Perot has been under attack from left and right for alleged disregard of civil liberties. His advisers had concluded that he could not ignore all these charges and still maintain his populist campaign for the White House.

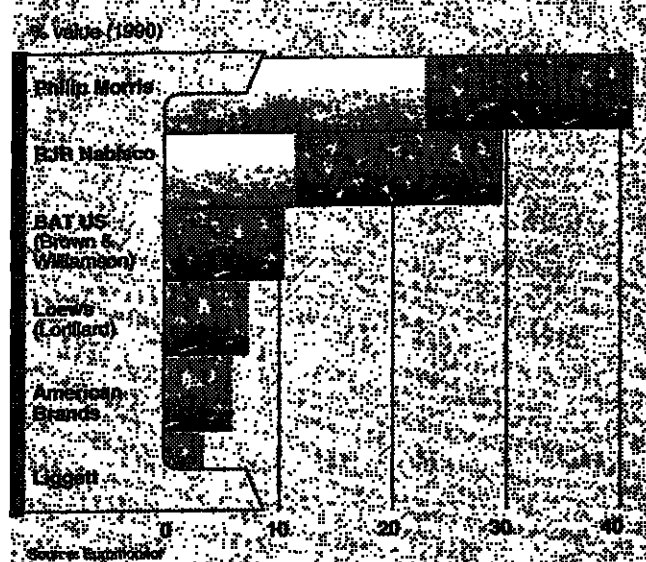
Mr Perot did not deny yesterday that he had ordered private investigations on occasion in the course of his business dealings and as part of his crusade to identify Americans missing in action or held as prisoners of war in Indochina. He also conceded that he had his lawyers look into an oil lease transaction in Texas alleged to have benefited one of Mr Bush's oldest associates. This, he said, was because he was considering buying a parcel of the land involved.

"If you look at my whole life," he declared, "I have meticulously followed the law. Anybody that knows me or knows anything about me would understand that I would never even consider violating the great principles this country is founded on. This is nothing but politics at its worst and lowest."



Bill Clinton shakes hands with John Conyers, a senior Democrat and chairman of the black caucus in the US Congress, who has endorsed the Arkansas governor's presidential bid

Shares of the US cigarette market



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Names mount sustained attack on management after £2.06bn losses announced for 1989

Investors attack regulation of Lloyd's

By Richard Lapper and David Owen

LLOYD'S of London came under sustained criticism from the Names whose assets provide the market's capital base at its annual general meeting yesterday, when losses of £2.06bn for the 1989 year were announced.

An estimated 5,000 Names - nearly a sixth of the insurance market's membership in 1989 - attended the meeting, held at its City headquarters and dozens spoke out in a meeting lasting a record six hours and six minutes.

Although many were fiercely critical of Mr David Coleridge, Lloyd's chairman, and the governing council, the meeting was generally good-tempered, with very little heckling. The "chaos" feared by some Names' leaders failed to develop.

Mr Val Powell, chief executive of the Association of Lloyd's Members, the biggest Names' organisation, which represents over 9,000, said: "The meeting was held in a more constructive manner than generally expected."

Mr Coleridge fielded questions in a marathon session during which the harshest attacks came from Names on syndicates which participated in "spiral" reinsurance business in which syndicates and London market companies reinsure each other's catastrophic exposures.

Mr John Harris, one of over 4,000 Names on the loss-making Gooda Walker syndicates, said: "Some of us put our trust in the history and reputation of this institution and we feel totally betrayed."



Buddy can you spare a dime: a Lloyd's investor seeks charity, and publicity, outside the market's City of London headquarters

Gooda Walker's losses amount to £491m, nearly a quarter of the total. Mr Harris received warm applause when he said that he had been offered "irresponsible advice" by the Gooda & Partners agency - which was part of the Gooda Walker empire - to become a member of several "spiral" syndicates.

Another Gooda Name, Mr

Michael Deeny, said that Lloyd's had "failed to regulate the market and allowed the disastrous growth of the spiral. We had hoped you might acknowledge some level of responsibility for what has happened". He said that Gooda Walker Names were victims of "at best gross negligence and at worst fraud."

Many Names criticised

Lloyd's for the imposition of a levy on the Central Fund, which will cost them an average of £20,000 per head, while others focused on the Council's rejection of a bail-out scheme to help the hardest hit. In his opening address, Mr Coleridge reported that £2.06bn loss had occurred because of a continuing influx of United States pollution and

asbestos-related claims. "Huge uncertainty continues to surround the outcome on pollution claims," he said. Mr Coleridge faces a further grilling this week from a delegation of about 40 members of parliament. According to Lloyd's, invitations were issued to all 651 MPs.

Losses for the 1989 underwriting account increased to

£2.06bn compared with £210m in 1988, according to preliminary unaudited figures released.

Underwriting losses in 1989 were £1,373m, while Names' personal expenses amounted to £292m. An extra £298m was earmarked to strengthen reserves for claims that are expected to emerge on business underwritten in earlier years.

Syndicates in the non-marine and marine market were worst hit with losses climbing to £1,762m (£1,149m) and £1,326m (£321m) respectively.

Syndicates in the aviation and motor markets both made profits of £281m (£16m) and £267m (£52m) respectively.

The worst losses were heavily concentrated among a minority of syndicates specialising in catastrophe reinsurance business.

Five syndicates (255, 290, 288, 540 and 947) accounted for 34 per cent of the overall loss and agencies Gooda Walker (25 per cent) and Feltrin (12 per cent) accounted for 37 per cent of the loss.

Lloyd's also gave details on the strengthening of its asset base during 1991.

The premium trust funds - into which insurance premiums are paid - rose from £9,806m to £12,258m. Confirmed members' means (which include deposits, personal and special reserves) fell to £7,258m (£7,454m), while the net assets of the central fund rose to £445m (£377m). The Corporation's net assets amounted to £280m (£279m). Total assets increased from £17,916m to £20,278m.

Lex, Page 14

Minister attacks Germany on EFA

By Daniel Green

MR JONATHAN AITKEN, the defence procurement minister, yesterday described as "a folly" proposals by Germany's defence minister, Mr Volker Rube, to scrap the controversial European Fighter Aircraft (EFA) project and replace it with a cheaper aircraft.

Claims that a new fighter would save money were "nonsensical", said Mr Aitken. The development phase of the EFA project has been paid for and it would be extraordinary for the coalition partners (UK, Germany, Italy and Spain) to throw away DM15bn.

Mr Aitken was responding to Mr Rube's proposal on Tuesday that EFA should be replaced with a lighter fighter to save money and still provide jobs for the German aerospace industry. The plan is likely to be put to parties in Germany's ruling coalition next week.

Mr Aitken said the proposal had "horrified" the UK government.

He argued that a lighter aircraft would be ineffective against the latest Fulcrum and

Flanker fighters being built in Russia and already being sold to other countries following the end of the cold war.

Furthermore, the uncertainty over EFA had come "at the worst possible moment" given the strains on European unity following the "no" vote in the Danish referendum on the Maastricht Treaty earlier this month.

Mr Rube had "gone out on a limb" within his party, although the extent of his isolation was uncertain, said Mr Aitken. "There are strong pro-EFA factions within the principle parties and we have everything to play for."

In Britain, the EFA development programme employs about 10,000 people at British Aerospace, Rolls-Royce, Ferranti, GEC, Marconi Defence Systems and other companies.

EFA has been designed by two German-based industry consortiums: the airframe group including Eurofighter (BAe, MBB of Germany, Alenia of Italy and Casa of Spain) and the engine team Eurojet (Rolls-Royce, MTU of Germany, Fiat and the Spanish company ITP).

Hurd defends stance on European union

By Ralph Atkins

MR DOUGLAS Hurd, foreign secretary, faced hostile questioning from Tory Euro-sceptics yesterday as he sought to soothe opposition within the party to the Maastricht treaty.

Mr Hurd said the European Community had an opportunity to embody into its working the principle of decisions being made at the lowest appropriate level.

Several MPs, however, remained unconvinced that a greater emphasis on "subsidiarity" would prevent centralisation of EC decision-making.

MPs will next week have their first opportunity since the Danish referendum on the Maastricht treaty to debate the European Community.

Yesterday Mr Hurd said Maastricht already incorporated the principle of subsidiarity

and was a "prize" worth building on. Although the way ahead was not clear because of the uncertainty about Denmark, Mr Hurd stressed Britain did not want to be left out of EC decision-making. The prime minister would lose credibility if he backed away from Maastricht, he added.

He did not commit the government to backing a protocol to the treaty on subsidiarity but highlighted indications that the European Commission, and its president Mr Jacques Delors, were prepared to consider handing powers back to member countries. Discussions are expected on subsidiarity at the EC Lisbon summit this weekend.

Asked about Mr Delors' re-appointment, Mr Hurd said no final decision had been taken but said that there was no obvious alternative.

MacGregor says railways will not ease road traffic

By Richard Tomkins, Transport Correspondent

MR JOHN MacGregor, transport secretary, yesterday poured cold water on hopes that road traffic congestion could be eased by switching large amounts of passenger and freight traffic to rail.

In a speech to the Confederation of British Industry, he said: "We need to be realistic about the scale of the contribution which the railways can make to taking traffic off the roads."

Afterwards he said he was "a great believer" in switching traffic to rail. "But I am also a very strong believer in being practical and realistic, and not promising total pie-in-the-sky," he said.

"So the idea that we can get a massive switch from road to rail is, I think, unrealistic." Mr MacGregor's remarks coincided with the publication of a survey showing that pro-rail policies pushed up passenger numbers by 20 per cent in Spain and by 7 per cent in the Netherlands during 1991, while passenger numbers in Britain fell by 3 per cent during the same period.

The survey, in the July edition of the London-based Railway Gazette International magazine, also shows that rail-borne freight traffic rose against the trend in Italy and Austria as a result of measures to switch trans-Alpine movements from road to rail.

British Rail, often regarded as leading the drive towards greater efficiency among European railways, comes out a poor 10th in a league table of productivity published in the magazine.

Assessing staff productivity by amount of traffic handled, Railway Gazette puts Sweden, State Railways top of the league, followed by the national railways of Finland, France, the Netherlands, Switzerland and Spain.

Railway Gazette blames BR's poor performance on a combination of declining traffic volumes and an increase in staff numbers to cope with increased safety demands.

British Rail also performs badly in the European league table of timekeeping. On BR's Network SouthEast commuter operation, 91 per cent of trains arrive within five minutes of scheduled times. Some 98 per cent of suburban trains in the Ireland, Hungary and Poland achieved this level of punctuality, while in the Netherlands, 93 per cent of suburban trains arrive within four minutes of scheduled times.

In Britain, some 2.2 per cent of all passenger services are cancelled. In Ireland, the figure is 0.5 per cent; in Belgium and Sweden the figure is 0.2 per cent; and in the Netherlands and Norway, Railway Gazette says, cancellations are so rare that the railways do not bother to record statistics.

Nissan UK tax charges thrown out of court

By Raymond Hughes, Law Courts Correspondent

AN ALLEGATION that Mr Frank Shannon, former finance director of Nissan UK and two of the company's advisers conspired to cheat the Inland Revenue of £3m was thrown out by a magistrate yesterday.

After a 2½ day hearing, Miss Daphne Wickham, a stipendiary magistrate appointed by

the Lord Chancellor's Department to deal with the case, decided that the Revenue had produced insufficient evidence to justify committing Mr Shannon and his co-defendants for trial at crown court.

Nissan UK is the former importer and distributor of Nissan cars in the UK. The Revenue had alleged at Worthing magistrates court that Mr Shannon, 58, of Brighton, Sussex, Mr Brian Laventure, 52, of Haslemere, Surrey, a partner in Grant Thornton, and Mr Gerald Compton, 46, of Leigh-on-Sea, Essex, a partner in Kildoms Impex, had conspired to cheat the Revenue over stock relief claims.

After reviewing the evidence the magistrate discharged the three men and awarded them their costs out of funds. Reporting restrictions were

not lifted during the committal hearing, which began on Monday. After the hearing Mr Shannon declined to comment but his solicitor, Mr David Kirk, of Stephenson Harwood, said: "We are delighted."

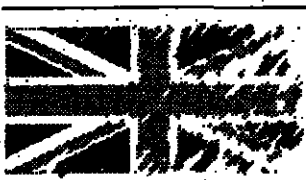
Last month Mr Shannon and Mr Michael Hunt, 58, of Hove, Sussex, assistant managing director and deputy chairman of Nissan UK were sent by the

Working court for trial at the Central Criminal Court (The Old Bailey), London, charged with cheating the Revenue out of £170m.

In that case it is alleged that the money found its way to Mr Shannon and Mr Hunt after false invoices were filed for freight payments.

Mr Shannon is on bail of £225,000 and Mr Hunt of £200,000.

Britain in brief



Former MGN director denies any dishonesty

Mr Michael Stoney, a former senior executive in the Maxwell well business empire, yesterday "vigorously denied" any dishonesty in relation to documents naming him as a signatory to more than £180m in "unusual" payments from Mirror Group Newspapers last year.

Mr Stoney, former group managing director (finance) of MGN, was named alongside Mr Kevin and Mr Ian Maxwell in the chairman's review issued with the group's 1991 accounts on Tuesday.

Mr Anthony Burton, his solicitor, said last night: "In so far as there is any inference in the reports about Mr Stoney, my client vigorously denies that his conduct in relation to all or any of these transactions was dishonest."

Freedom urged on overseas aid

Britain's government-controlled Commonwealth Development Corporation (CDC) provides a highly effective form of aid and should be given greater financial freedom to support projects in the developing world, according to the Monopolies and Mergers Commission report.

In a powerful endorsement of the role the CDC plays in Britain's aid policy, and in the way it is managed, the report says the CDC's funds should not be so vulnerable to Treasury cuts, and "should be free to expand its activities by financing more projects and investing at a greater rate."

Delay hits Ulster talks

A fresh delay has hit "round-table" talks on Northern Ireland's political future, and looks set to prevent formal discussions taking place this week.

British and Irish ministers have failed to agree a date for

a bilateral meeting, with local parties attending as observers, which had been assumed to be the next stage of the talks' programme.

Unions lose members

The once mighty National Union of Mineworkers was last year overtaken in size by Equity, the actors' union, as affiliates to the Trades Union Congress saw their membership decline to the lowest level since 1947.

The NUM's decline to 44,352 at the end of last year compares with 200,000 during the 1984-85 miners' strike. Membership of Equity has risen from 32,535 in 1984 to 44,378. Figures published by the TUC show that union membership fell last year by 440,000 to 7,76m, out of a total workforce of more than 24m.

Samsung plans investment

Korean-owned Samsung Electronics has announced a \$5m investment, to make colour television at its Billingham plant, north-east England, where it makes microwaves and video recorders. The government is giving £3m in Regional Selective Assistance towards the 270-job expansion.

BBC agrees Japanese deal

BBC World Service Television plans to enter the Japanese market with its 24-hours news and information service before the end of this year. The corporation has reached agreement with Nissio Iwai, the large Japanese trading company, to set up a joint venture company to run the service.

US semesters considered

A review of the academic year, which could lead to the widespread adoption of the US semester system, has been set up by the bodies representing higher education in England and Wales. With ambitious government targets for growth in student numbers over the next decade, universities and polytechnics are concerned that the traditional three-term teaching year makes inadequate use of capital.

Fall in British output less than feared

By Emma Tucker, Economics Staff

The fall in UK output in the first three months of the year was marginally less than originally reported, according to figures out yesterday.

Revised data figures from the Central Statistical Office showed that gross domestic product (GDP) fell by 0.5 per cent in the first three months of this year, giving a year on year decline of 1.5 per cent. This was slightly better than the 0.6 per cent first quarter fall reported last month.

Excluding oil and gas extraction, GDP

fell by 0.3 per cent in the first quarter, compared with a provisional estimate of 0.4 per cent. The year on year rate of decline was 1.6 per cent.

A slowdown in the rate of destocking meant that domestic demand rose by 0.2 per cent in the first three months of the year - the third consecutive quarterly rise. The figures show:

- Consumer expenditure fell 0.7 per cent on the last quarter of 1991 and was 1.8 per cent lower than a year ago. The biggest falls in this component of GDP were in cars - down 5.7 per cent.
- Government consumption fell 1.1 per

cent on the previous quarter but was 0.6 per cent up on a year ago.

- Fixed investment increased by 1.4 per cent quarter on quarter but was 2.2 per cent down on a year ago.

A breakdown of GDP analysed by output showed that the production of the service industries fell by 0.3 per cent on the previous quarter and by 0.9 per cent on the same quarter a year earlier.

Output of the construction industries continued to fall but at a slower pace. In the first quarter, output was down 0.6 per cent on the previous quarter and 7.1 per cent on a year ago.

Paul Cheeseright visits two young companies in central England which have experienced widely different effects of the recession

Bleak outlook for window frame maker

MIDLAND Joinery, with gross liabilities of £5m, gave up the fight against recession in April. For more than two years it had been struggling to keep its balance on a skid pad of falling sales and high debts.

Now Mr Michael McLoughlin, the receiver, of KPMG Peat Marwick in Nottingham, is looking for a buyer.

"It's easy being a financial pundit retrospectively," Mr McLoughlin said. Nevertheless, the management of Midland Joinery, a Burton-on-Trent window frame manufacturer, was hopelessly unlucky with its timing.

The company was founded in 1923, and in 1988 Mr John Young and Mr Frank Leyland led a management buy-out from Hunter Timber, part of Wickes Group, for £3m.

Lazard Venture Funds Management put together a package of £1.2m of equity; directors and employees put money in. Bank of Scotland provided debt finance of £1.5m and Lazard lent a further £300,000.

Four years ago it looked sound enough, even if expensive. "When we first went in," said Mr Leyland, "we thought the funds were more than adequate; although the gearing was high, we could ride out a short-term recession." By that he meant up to two years.

Four years ago even the most pessimistic were not forecasting the severity of the

recession. Things started to go wrong within a year. "The marketplace began to shrink," Mr Leyland said. "The value of the assets goes down but the borrowing doesn't go away."

Competition grew fiercer. The response of Midland Joinery was to try "to increase throughput," Mr Leyland said. It hired more sales representatives and sought to make a bigger business of a stair manufacture sideline, but found that market overcrowded too.

Turnover grew - £3.4m in 1989, £4.1m in 1990, £4.56m in 1991. But there were no profits. Midland Joinery was losing money even before it attempted to pay its debt charges; operating losses in 1990 were £352,000 and last year they were £330,000.

Although debt had already been restructured once, by the end of last year Midland Joinery was desperate. The search started for a merger, for a new injection of equity, for the sale of the company; in short, for a rescue.

The search foundered. The directors asked for the appointment of a receiver. Of the original executive directors, only Mr Leyland remains. He awaits what Mr McLoughlin can provide, but as customers drift away, the chances of selling Midland as a going concern diminish, and eight of the company's 143 employees have been made redundant.

Chicken comes before nest egg at poultry plant

PERRY SMITH is not a pin-striped finance director. At Perry Poultry plant, the finance director wears white boots, white overalls and white helmet. She washes her hands, disinfects her boots when she enters the plant; she does the same when she leaves.

Hygiene is one element of quality in the chicken business. And Perry Poultry cuts chickens. It buys dead, plucked and gutted chickens. It cuts, portions and packs them. It marinates them - tandoori flavour so far, garlic soon.

Perry Poultry is a small player in a crowded industry, operating out of Bilston in the heart of the Black Country, that part of central England better known for metal processing than food processing.

The Black Country metal processors are in recession, but Perry Poultry has been expanding since August 1989. Food processing is less prone to the troughs of the economic cycle than heavy industry, but it too faces hazards.

"Orders are fairly easy to get if you are a conforming plant [meeting European Community standards] with a good reputation. To make a profit is where the skill comes in," said Mr Alistair Ross, chairman of Perry Poultry.

The problem is that the profit margin is narrow. Perry Poultry would like to make four per cent. But usually it

makes two or three. So the line between success and failure is very fine.

"Our customers are looking for lower prices all the time but we don't see any raw material costs coming down. There's the squeeze," explained Mrs Smith.

So far, Perry Poultry has carved its way through the conflicting pressures. It lost £35,000 in its first year but in 1990 it had pre-tax profits of £188,000 on a turnover of £5.27m. In 1991 and this year it expects pre-tax profits of about £400,000 and a turnover of £15m.

But the company has also had to borrow. It used bank finance for its early development but last year preferred to expand using equity finance. It had a cash injection of £250,000 from 31, the venture capital group, in exchange for 15 per cent of the equity. Now Perry Poultry uses £38, its banker, for working capital only.

Faced with harsh interest terms - money at 2.5 per cent - Perry Poultry has opted for 1.5 in the 1990s - the directors at Perry Poultry asked to extend their loan guarantees.

But its biggest overhead is labour costs. The company started with 30 employees, now it has 270 on basic wages of up to £160 a week. But there is little pressure for higher wages. Unemployment in Bilston is too high for that.

Complaints of sexual bias at work rise by 40%

By Diane Summers, Labour Staff

COMPLAINTS about sex discrimination in the workplace increased by 40 per cent last year, Britain's Equal Opportunities Commission said yesterday.

Releasing its annual report the commission said the increase was due to the continued rise in the number of women going out to work, increased expectations among younger women and the higher profile of the commission.

Ms Joanna Foster, who chairs the commission, said the recession had also had a part to play in the rise in complaints. "Organisations are getting leaner and some are getting meaner," she said.

There were more than 9,000 complaints about employment issues last year, compared with 6,500 in 1990. The main areas of complaint involved recruitment, pregnancy-related matters, and generally less favourable terms of employment.

Sexual harassment complaints were up 35 per cent from 317 to 427. Some complaints about sexual harassment in service delivery, rather than employment, had also been received. There is no case law on whether the Sex Discrimination Act covers services and the commission is backing a test case involving a woman learner driver who alleges sexual harassment by her driving instructor.

Ms Foster said the figures showed that sex discrimination was still a big problem in the workplace. "Yet while expectations of fair treatment are higher than ever before, redress is more difficult to obtain because of the complexity and cost of taking legal action," she said.

Ms Foster said that if the government was serious about its Citizens' Charter it needed to consider amendments put forward by the commission aimed at strengthening and simplifying the equality laws.

A simple start could be made by revising tribunal and court procedures to remove barriers causing delays, Ms Foster added. The average length of time taken for a case to reach employment appeal tribunals is two years in England and Wales.

MANAGEMENT: MARKETING AND ADVERTISING

French food retailers have been fighting on price. Now they are finding that the size of their companies helps too. Alice Rawsthorn reports

Casino raises the stakes

For the next few weeks, an army of bankers, brokers and lawyers will be installed at Casino, one of France's largest food retailing groups, to put the finishing touches to its acquisition of the Rallye chain of hypermarkets and supermarkets.

For Casino, the addition of the Rallye stores offers a much needed opportunity to achieve the critical mass that its own hypermarkets and supermarkets need to survive in the increasingly competitive world of French food retailing. For the rest of the sector, the Casino deal will make life more competitive than ever.

At first glance, the problems of French food retailers look much the same as those of their counterparts in other European economies. The French market is mature and for the past year or so the hypermarkets and supermarkets have been engaged in a ferocious price war.

Meanwhile the concentration of ownership within European food manufacturing has eroded the retailers' bargaining power with their suppliers. The growth of groups such as France's BSN, the Anglo-Dutch Unilever and Nestlé of

Switzerland has put the retailers in a weaker negotiating position.

But the French food retailers also face problems of their own. They are threatened by the rapid expansion of German discount outlets, notably Aldi and Norma, in France. Moreover, the French companies' margins, at an average of 1.5 per cent, are among the lowest in Europe.

So far, the French food retailers have adopted a dual response to these issues. First, they have accelerated their expansion into other countries to compensate for lack of growth in their own. The large hypermarket chains, Carrefour and Promodès, have successfully diversified into southern Europe and rather less successfully into the US. Some smaller supermarket groups, such as Docks de France, have followed them into Spain.

Meanwhile, the retailers are confronting increasingly powerful suppliers by expanding their own businesses to improve their bargaining position. The five largest players in French food retailing - Carrefour, Casino and Promodès, together with Leclerc and Intermarché, the associations of independents - increased

their share of retail sales from 16 to 20.6 per cent in the five years to 1990 according to Insee, the state statistics institute.

This expansion is continuing. Carrefour last year bought the Euromarché and Montaur chains. As Michel Bon, its chairman, says: "Volume is the key to success in our business". Casino, which was in danger of being squeezed out of the market with turnover of just FF42bn (\$4.26bn) compared with Carrefour's FF100bn, is following suit with the Rallye deal. Thanks to Rallye, Casino will gain an extra FF24bn of sales.

These deals are creating problems for the rest of the retail sector. "The level of sales needed for a company to remain competitive is increasing all the time," said one analyst.

After the Casino-Rallye deal, there will be three French hypermarket chains with annual sales over FF65bn - Carrefour, Promodès and Casino. Christiane Thorne, European retailing analyst at Phillips & Drew in London, argues that this will intensify the pressure on the other large

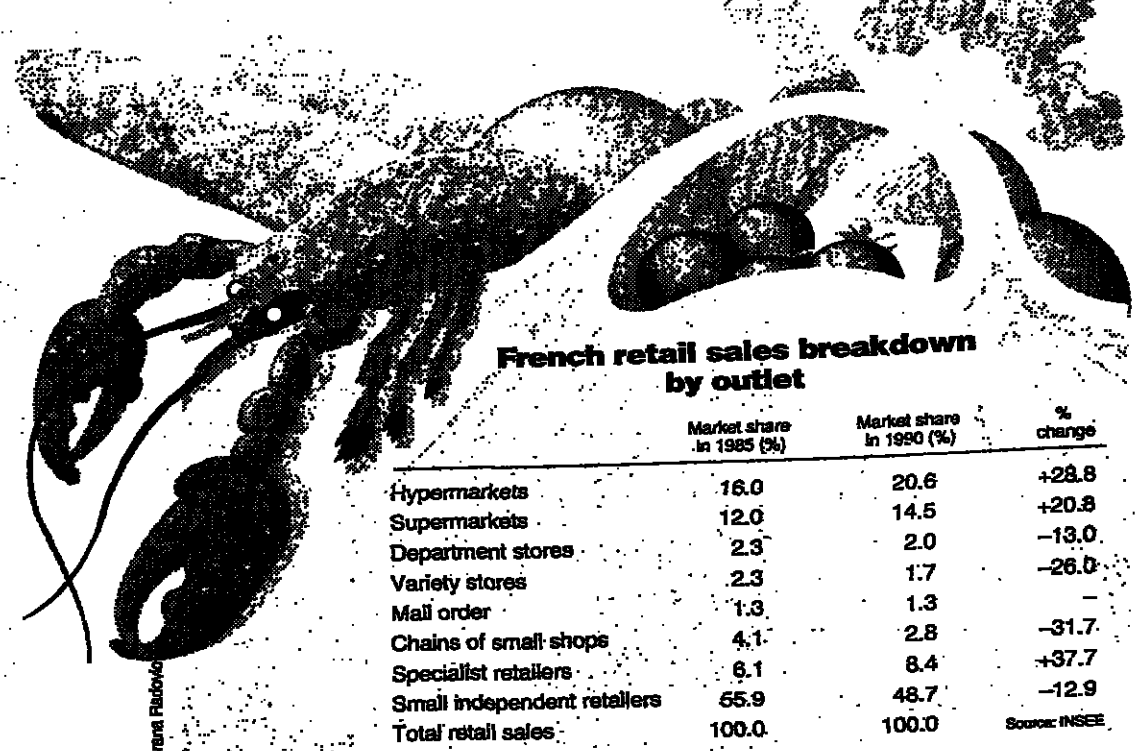
players, Anchan and Cora.

But size alone is not enough. The French food retailers have yet to complete the reorganisation of their businesses so they can take advantage of their new bulk buying power. Carrefour is introducing a more centralised structure so that it can make the most of its size.

Promodès is going one step further. It already has a fairly centralised buying operation in France and is now co-ordinating its activities across Europe. This spring, it opened a new international buying office in Switzerland to negotiate with its multinational suppliers.

The bulk of Promodès' buying is still conducted on a national basis. Despite the internationalisation of food manufacturing, there are still huge differences in taste from country to country so there are relatively few truly international brands. But the Swiss operation does have the additional advantage of helping Promodès in the new markets, notably Germany, where its local competitors have been putting pressure on their suppliers to boycott the French insurgent.

At the same time, the French food retailers are also trying to increase



their historically low margins by increasing their own-label portfolios - where margins are generally higher - and by investing in operational improvements such as laser scanning, which ought to be operative in all French hypermarkets by the end of next year.

These initiatives will be ham-

pered by the continuing expansion of the German discounters, which opened 60 new outlets in France last year alone, bringing the total to 144. Some French companies have retaliated by expanding their own cut-price chains, notably Carrefour with Ed'Epicerie. But the German discounters still pose a serious

threat, particularly to the urban supermarkets under the Leclerc and Intermarché umbrellas. Casino, aided and abetted by its army of advisers, may have won one round in the fight for the French food market thanks to the Rallye deal, but the real battle has only just begun.

The use of coupons as a marketing tool has always been regarded as fine in theory; rather less than perfect in practice. The trouble is that they are fiddly, costly and imprecise, often hitting the wrong type of customer at the wrong time in the wrong place.

Magazine advertisements containing coupons are widely regarded as offering a blunderbuss approach to marketing when more closely targeted methods are called for.

A recent unseemly squabble among UK food retailers - when Tesco offered to redeem everyone else's coupons, prompting a spoiling campaign from its rivals - has also tarnished the coupon's image, even though that battle looks as though it is drawing to a close.

But several retailers are now experimenting with better ways of issuing coupons. In September, Superdrug will install up to 10 "instant coupon machines" on the shelves of its top 160 drugstores, providing shoppers with the opportunity immediately to redeem promotional offers on various prod-

Ringing in change at the supermarket checkout

John Thornhill says that the days of clipping money-off coupons are over

ucts. This is seen as a powerful means of influencing shoppers at the crucial moment of decision.

Others retailers are exploring ways to utilise the mass of marketing knowledge that they gather from their electronic point of sale (Epos) equipment at their checkouts to produce electronic coupons. If successful, these systems could revolutionise the coupon industry, delivering a highly potent marketing weapon for both brand managers and retailers alike.

Next month, Asda, the UK's fourth biggest grocery chain, is launching a trial of an electronic coupon system at five stores using technology licensed from Catalina Marketing, a nine-year-old US company which was floated on the New York Stock Exchange in March.

The Coupon Saver system is a small machine next to each supermarket till which is linked into the

store's Epos network and instantaneously monitors purchases. Barcodes on specified products trigger the issue of coupons which are then handed to the shopper along with their bill.

"It is like having a brand manager standing at every customer's shoulder giving a coupon to all those people they want to attract," says John Eustace, Catalina's UK licence holder. The beauty of the system, he suggests, is its flexibility. For example, brand managers can simply attempt to "lock in" customers by issuing money-off coupons whenever their products

are bought. Or a manufacturer can encourage a shopper to switch brands by issuing a coupon for their brand, whenever one of their rivals' products are scanned. Retailers can encourage return custom by issuing loyalty coupons for frequent shoppers or entice them to spend more by issuing coupons for bigger packs or multi-

buys. Coupon Saver can also be used to support advertising campaigns or product launches.

It can even be used in conjunction with a personalised store card to issue "reminder" coupons to individual customers.

For instance, a razor blade manufacturer whose products are on average bought every two months could issue a coupon to an individual shopper seven weeks after they made their last purchase, lessening the likelihood that they will lose it.

Catalina pays for the installation of the machines and sells the "rights" to issue coupons in about

400 different product categories to the retailer and various brand managers.

It costs upwards of £10,000 to install the system in a store with 25 check-outs. Catalina's UK customers will initially be charged at a rate of about £75 for every thousand coupons issued.

Catalina's coupon system is already operated by 32 retailers in 5,000 stores across North America. Its machines read 64m shopping baskets a week - 40 per cent of the total - and are used by 300 brand manufacturers.

A study by the US Food Marketing Institute last year suggested that in spite of their prevalence, the applications of such front-end electronic marketing systems were still in their infancy.

But the report also raised concerns about their long-term effectiveness, consumer privacy, data

ownership and fair trade practices. Similar systems are now being touted around the globe, especially in Europe and Australasia. But whether they will have such an impact overseas is open to doubt.

The structure of the UK food retailing market, in particular, is very different from that of the US on many levels. In North America, for instance, IBM is the computer standard for most retailers. Although Asda operates the same IBM system in the UK, Tesco uses Siemens-Nixdorf equipment while J. Sainsbury uses ICL, complicating the design of universal systems.

The predominance of retailers' own brand products in the UK may also muddy the waters. In many categories, the brand managers' biggest rivals are the retailers themselves and there is clearly a potential conflict of interest in promoting individual brands.

But the rival food retailers will be watching Asda's experiment with interest. If it is a success, they are likely to move quickly to install their own systems.



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Shareholders are informed that GT INVESTMENT FUND will pay a dividend of US\$0.04 per share on June 26, 1992 to registered shareholders on record on June 19, 1992. Shares are to be traded ex-dividend as from June 19, 1992.

The dividend is payable to holders of bearer shares against presentation of coupon no. 5 to the following paying agent:

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FT SURVEYS

CONTRACTS & TENDERS

PETROLEOS MEXICANOS TENDER NO. ST/PE-250692
Petroleos Mexicanos, the Mexican national oil agency, invites all interested parties to bid for supplying in an "EPC" Contract (Modified) for three plants for the production of methyl tertiary ether (MTBE) and two plants for the production of tetramethyl ether (TAME) located in the refineries of Tula, Salina Cruz and Cadereseta.

Information related to this project is available from:
Pemex Services Europe Limited
2nd Floor
4/5 Grosvenor Place
London SW1X 7HB
England
Tel: 071-823 2242 Fax: 071-823 1813 Contact: Mr Gustavo Mohar

PETROLEO BRASILEIRO S.A. - PETROBRAS INTERNATIONAL COMPETITIVE BIDDING CHANGE NOTICE

TENDER NO. 849.001/91 AND NO. 849.002/91

SCOPE: Purchase of coated pipes, in 8 and 10 inch diameters, in accordance with the specification API 5L Grade X65, for the construction of the Parana-Santa Catarina (OPASC) and Recona-Sul do Bahia (ORSUB) pipelines.

CHANGE IN THE DEADLINE FOR SUBMISSION OF BIDS

PETROBRAS informs that the deadlines for submission of the Bids have been postponed to September 3, 1992, for both tenders, and that the address, time and procedures established in the Bidding documents will remain unaltered.

LEGAL NOTICES

NOTICE OF APPOINTMENT OF JOINT ADMINISTRATIVE RECEIVERS
EUROPEAN PLASTIC MOULDERS LTD
Registered number: 02277090. Nature of Business: Plastic Injection Moulding. Trade Classification: 07. Date of appointment of Joint Administrative Receivers: 17 June, 1992.

IN THE MATTER OF ELECTRIC INSTALLATIONS (HIGH WYCOMBE) LIMITED
Registered number: 098723. Trading Name: Electric Installations (High Wycombe) Ltd. Nature of Business: Electrical Contractors. Trade Classification: 27. Date of appointment of Administrative Receivers: 16 June, 1992.

NOTICE OF APPOINTMENT OF JOINT ADMINISTRATIVE RECEIVERS
Bardays Bank Plc. 1 M Trade and C J Hughes, Joint Administrative Receivers. Office Holder New 00704 and 002041. Address: Clerk Gully, 3 Greyfriars Road, Reading, Berkshire RG1 1LQ.

PERSONAL

QUEBEC CENTRAL RAILWAY COMPANY 4% FIRST MORTGAGE DEBENTURE STOCK
In preparation for the payment of the half-yearly interest due August 1, 1992 on the above stock, the transfer books will be closed at 3.30 p.m. on July 10 and will be re-opened on July 20, 1992.

D.R. Koss
Assistant Secretary
62-65 Trafalgar Square,
London, WC2N 5DY June 25 1992

COMPANY NOTICES

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APPOINTMENTS ADVERTISING

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COMPANY
SNAPSHOT

Founded in 1854 by an ancestor of Richard Wheeler, the current chairman and managing director, Colchester wine merchant Lay & Wheeler is one of the largest independent wine merchants in the UK.

Nature of business: The company imports and distributes more than 1,000 fine wines from around the world. It supplies restaurants and hotels in addition to operating two retail outlets and one wholesale outlet in Colchester.

Turnover: £17m a year. Employees: 120.

TECHNOLOGY FILE

Lay & Wheeler's applications software was originally developed for ICL hardware and moved to the current ICL system last year. This was possible because the applications software was developed for the 'open' Unix operating system.

Software: Standard accounting 'modules' from Kerridge Computers' range of packages form the backbone of Lay & Wheeler's custom-built sales order processing, point-of-sale and stock control applications. The software was installed in phases between November 1988 and October 1989. The sales order processing system is standard across all of Lay & Wheeler's selling operations and the stock control system handles up to 5,000 product lines.

Hardware: The system is based on an ICL DRS 6000 computer running Unix System V, release 4.0. Access to the system is either through standard terminals or via a standard PC, with a total of 55 screens spread across four locations. Network connections are through British Telecom KiloStream lines. The standard PCs located at the selling outlets can run a skeleton point of sale system in the event of a network failure.

Costs: The total cost of software and hardware is £250,000 on a lease-purchase arrangement. Annual costs include £11,000 for software maintenance and £22,000 for hardware maintenance.

Selling wine seems straightforward. You set up your shop, you place some attractive bottles in the window and wait for the eager buyers to hand over the cash.

Wine, however, can be sold in a variety of ways. In addition to the obvious retail premises off the high street, traditional wine merchants sell wholesale to restaurants and hotels. They sell wine 'in bond' or 'on primeur' to private customers. They might operate a wine supermarket or a cash-and-carry store.

Lay & Wheeler, an old, established wine merchant based in Colchester, Essex, uses all of these methods to sell wines and other beverages. Choosing a new computer system in 1988, Lay & Wheeler wanted one to serve all its outlets and provide integrated information systems for its management.

"We were operating a 19th century computer system for a 21st century operation," says Ross Cowie, Lay & Wheeler's financial director. "Although we sell our products in several different ways, they are inter-related. The fine wines side supports both the wholesale operation and the mail order service. The retail outlets sell a range of drinks products by the bottle and by the case. And, if we are holding a wine tasting, it might be for both retail and wholesale customers."

In late 1987, Lay & Wheeler's management looked at its operations with the aim of supporting them with a new computer system. Although based in Colchester, Lay & Wheeler distributes wines, spirits and beers throughout south east England and runs a national mail order operation.

The company has two retail premises in Colchester - a small shop in the centre of the town, which was established in 1862, and a wine "supermarket" on the outskirts. It also operates a wholesale "cash-and-carry" warehouse next door to the wine supermarket.

The new computer system had to cope with these different outlets and, as staff are moved between operations, had to present a common "interface".

Lay & Wheeler needed to replace an ageing system running on a Burroughs 380 computer with a system to control order processing, distribution and invoicing, handle stock movements, and produce good management information. The Burroughs system processed the mail-order and the wholesale sales invoicing and distribution operation. It could not handle stock movements - nor did it offer any useful management information.

Rather than buy a computer and try to fit the software to the job, Cowie wanted to find the right software from the outset.

Philip Manchester continues a series on getting the most out of software by looking at how Lay & Wheeler negotiated the transfer to a new computerised system

Microchips go well with wine

SOFTWARE
AT WORK

Selecting a new system can be fraught enough - even for experienced companies. Lay & Wheeler took a cautious approach. Cowie and his colleagues worked out a specification which covered the business aspects of the new system.

Cowie called in consultants Coopers & Lybrand to ensure he looked at the right kind of company to build and install the system.

Cowie's attitude to the consultant was pragmatic, however. Consultants

BUZZWORDS

EN PRIMEUR is a form of wine 'futures'. Wine is bought while still in the barrel for subsequent delivery - usually after two years.

IN BOND wine is shipped from the vineyard and held in a bonded warehouse, allowing the duty and tax payments to be deferred until final delivery.

tants are expensive and, once Coopers and Lybrand's staff had done their job, Cowie saw no further need for their services.

With Coopers and Lybrand's help, Cowie drew up a shortlist. "We shortlisted four suppliers and looked at their proposals carefully.

We chose Kerridge Computers because it seemed to have the right attitude and fitted in with our way of working."

Cowie signed the contract with Kerridge in May 1988 with the aim of moving across to the new system by October at the start of the company's financial year.

The software used to create Lay & Wheeler's system was drawn from a mixture of standard components and custom-written programs. Kerridge supplied a suite of standard applications modules for accounting functions such as sales ledger, management accounts and cashbook.

The sales order processing system - the all-important front-end of Lay

& Wheeler's operations - had to be built from scratch.

A main reason was the complex pricing and discount structure which Lay & Wheeler uses. "We needed the ability to go to as many as 72 different prices for the same wine - 36 by bottle and 36 by case."

CONSULTANT'S CRITIQUE

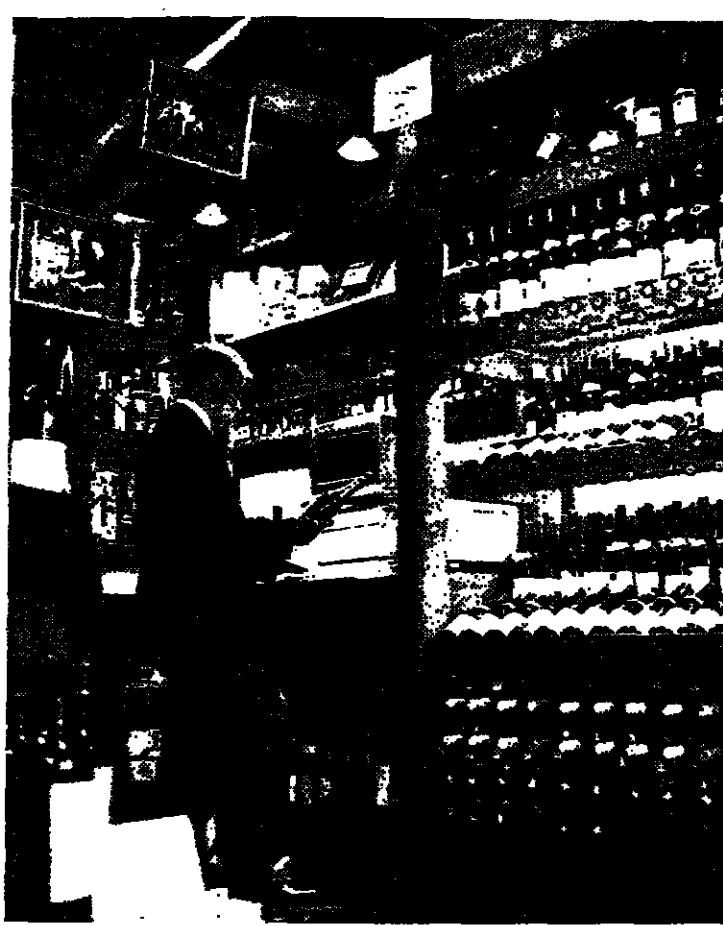
The effective use of consultants is surprisingly rare. Many companies treat their advisers as if they were junior clerks and get them to perform tasks that they could easily do themselves. Few consultants complain as they are paid by the hour in most cases rather than by the job. Cowie at Lay & Wheeler demonstrated how to get full value out of the experience that consultants bring. He employed Coopers & Lybrand to advise, but released them once the advice had been taken. As it happens, the recommendation was identical

to his own empirical research. However, he now had confidence that the choice was rational since it was confirmed by an outsider. So often a solution which is logical for the computer is unusable by humans. If not controlled, the computer rapidly becomes the master rather than the servant. Eight character codes can be neat and tidy but wines are rarely called "ZX456GF". Any system which relies on short codes must provide help for the poor user. It must be considered a black mark against Kerridge that it

ignored this obvious problem in the first implementation. Modern database systems all incorporate the sort of name finding required as a standard part of the package. However, they have learned from the mistakes and adapted the system to a more human-centred approach. It is always important to ensure that any system offers a path for growth. The two common options are to choose a manufacturer with a wide range of computing power available or to develop the system in a portable fashion. The advantage of open

systems is their ability to switch to other hardware. Lay & Wheeler has demonstrated that it can be done in reality, not just in the salesman's patter. Lay & Wheeler suffered some disruption and the benefits have not come as quickly as expected. However, this is balanced by the reduced stockholding (saving £50,000 in interest charges alone) and better management information for the future.

Kevin Grumball
The author is a consultant at Software Design and Construction, of Milton Keynes



User friendly cellar: Russel Ford, Lay and Wheeler manager

"Our first effort failed, not because of the software but because of our own systems. The main problem was coping with internal movements of stock."

The fine-tuning has continued during the last two and half years and Cowie is now satisfied that the stock system works well. "We now get good management information - reports for the buying depart-

ment and lower stocks held. We have reduced stockholding by about £500,000 and, at our last stock take we found only two mistakes," he says.

Cowie admits that the introduction of the new system has been hard work. He also admits that he "never really thought about the user", especially with the product coding system and the problems of entering it at the point of sale.

Kerridge has got round some of these problems by incorporating a search program which can find products by name.

Lay & Wheeler's story is a classic of software development. The definition of the business problem, the selection of the supplier and the installation and fine-tuning of the application software all have a familiar ring to them.

There is one difference, however. Lay & Wheeler's system runs on the Unix operating system and the company is now on its second hardware platform.

The applications software was moved to the new hardware last August with few problems, proving that the principle of open systems - that you can move software easily - really works.

The Financial Times, 8 August 1990

"NBK... perhaps one of the closest things the Arab world has to a blue-chip financial institution - is clearly not about to lie down."

	1989 (US\$ millions)	1991 (US\$ millions)
Profit	117.1	155.5*
Shareholders' Funds	930.1	1,015.4
Demand and Time Deposits	6,796.2	6,305.9
Total Assets	12,807.2	10,176.6
Capital Convergence Ratio (BIS)	14.4%	15.2%

*1990 and 1991

NBK has long been recognised as the premier Arab bank. The unprecedented challenges which the bank has overcome during the past two years have, without doubt, reaffirmed that position.

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FT LAW REPORTS

Intervention notice is valid

REGINA v LAUTRO EX PARTE ROSS
Court of Appeal (Lord Justice Glidewell, Lord Justice Stocker and Lord Justice McCowan)
June 11 1992

AN INTERVENTION notice served by a self-regulating organisation on a member is not invalidated by failure to give prejudicially-affected non-members an opportunity to make representations as to why it should not be served. But where such an opportunity is not given the non-member should, and in the case of Lautro now does, have a right to apply to have the decision to serve the notice set aside or to appeal.

The Court of Appeal so held when dismissing an appeal by Mr David Hugh Ross, sole director of the Winchester Group plc, from a judgment of the Divisional Court of the Queen's Bench Division (PT, July 17 1991) refusing his application for judicial review of a decision by the Life Assurance Unit Trust Regulatory Organisation Ltd (Lautro) to issue an intervention notice affecting Winchester.

LORD JUSTICE GLIDEWELL said that Lautro was a self-regulating organisation (SRO), recognised under the Financial Services Act 1986.

Norwich Union was authorised under the Act to carry on investment business, but was a member of and subject to control under Lautro's rules. Winchester, as an appointed representative of Norwich Union, was exempt from the requirement of authorisation.

Lautro's rules, current in October 1990, empowered it to prohibit a member from entering into transactions or from soliciting or carrying on business. That power of intervention was exercisable by notice to the member, stating why intervention appeared desirable to Lautro for the protection of investors.

Rule 7.3(12) provided that where the reasons related to matters which referred to a person identified in the notice other than the member, and were in Lautro's opinion prejudicial to that person, Lautro "shall... serve a copy of the notice on that person".

A member of Lautro on whom an intervention notice was served could apply to set it aside or appeal. A person other than a member on whom a copy was served had no prior opportunity of making representations as to why the notice should not be issued, and was given no right under the rules to set it aside or to appeal.

In October 1990, Lautro investigated Winchester's business. In its opinion, there was evidence to show there had been serious breaches of the Lautro rules in respect of business conducted for Norwich Union by Winchester. It resolved to exercise its intervention powers.

On October 31, an intervention notice was served on Norwich Union and copies were served on Winchester. On November 1, Norwich Union suspended Winchester as its appointed representative.

Winchester sought a meeting with Lautro which took place on November 6. It complained it had had no opportunity to make representations, and lacked particulars of the allegations against it. It said the allegations in the intervention notice were unfounded.

Lautro later accepted that some of the facts were not correct and that some of the allegations must be qualified, but decided intervention remained necessary and desirable in the interests of investors.

On January 11 1991, Norwich gave three months' notice of termination of its agency agreement with Winchester.

Winchester was only entitled to conduct investment business as Norwich's appointed representative. Once that position was suspended, and then terminated, it was unable to conduct any investment business.

The Divisional Court refused an application by Winchester for judicial review of the intervention notice.

On the appeal, the major issue was whether Lautro's failure to give Winchester an opportunity to make representations before service invalidated the notice.

Mr Collins for Winchester submitted first that in exercising its functions as a recognised SRO, Lautro was under a duty to act in accordance with natural justice - to act fairly in the circumstances.

There was no doubt that Lautro was obliged to exercise its powers fairly in relation to members, at Common Law and by statute (see *Lloyd v McMahon* [1987] AC 625, 702 and paragraph 2 of Schedule 2 to the 1986 Act).

Second, Mr Collins submitted that duty was owed not merely to Lautro members, but also to persons who would be prejudicially affected by its decisions.

The issue arose because of the self-regulatory structure which had been created under the Act. A recognised SRO controlled those authorised persons who were its members. The authorised persons controlled their appointed representatives. Lautro's decisions, particularly in relation to intervention notices, would frequently have a very considerable effect on the appointed representatives.

When a decision-making body was called on to reach a decision arising out of the relationship between two persons only one of whom was directly under its control, and it was apparent that the decision would be likely to affect the second person adversely, then as a general proposition the decision-making body did owe some duty of fairness to that second person, which in appropriate circumstances might well include a duty to allow him to make representations.

That would particularly be the case when the adverse effect was on the second person's livelihood or ability to earn.

Rule 7.3(12) defined with some clarity the persons who should be served, and to whom in appropriate circumstances Lautro owed a general duty to act fairly.

Third, Mr Collins submitted that fairness required Winchester should be given the opportunity to make representations before the decision to issue the notice was reached.

The decision whether to exercise the power of intervention, and to serve a notice to whom it was directed or whom it would affect, must be balanced against what Lautro regarded as the interests of investors. In that sense it would be moved by considerations similar to those which affected a court deciding whether to grant an injunction

ex parte.

It was a decision-making body was to exercise intervention powers without giving the opportunity to make representations beforehand, its procedures should provide that those who might otherwise expect to have been allowed to make representations should at least be allowed to make immediate application to set the decision aside and appeal.

At the relevant time, rule 7.3 gave no such rights to non-members.

In February 1992, however, the rules were amended to give non-members served with an intervention notice the right to appeal (see new rules 7.28 and 7.3(12)). When the intervention notice was served, Lautro's rules were defective in not giving a right of appeal.

While the power to decide to serve an intervention notice without first hearing representations from persons affected was not in itself so unfair as to invalidate the notice, a lack of any means by which the person could immediately thereafter challenge the notice was a breach of the requirements of fairness which the law should imply.

If Lautro did not afford a non-member served in accordance with rule 7.3(12) the opportunity to apply to rescind the notice, and/or to appeal, then the lack of such remedies would be unfair and the procedure unlawful.

However, Mr Collins had expressly limited his challenge to Lautro's failure to allow the making of representations before service of the notice. That of itself did not invalidate the notice.

Although at the relevant time Lautro's rules, and thus its procedure, were defective in the respects outlined, it was not required by law to afford to Winchester the opportunity to make representations as to why a notice should not be served before deciding whether or not to serve it.

The appeal was dismissed. Their Lordships agreed.

For Winchester: Andrew Collins QC and Cherie Booth (Mancches & Co).

For Lautro: Michael Beloff QC and Richard Gordon (Slaughter and May).

Rachel Davies
Barrister

PEOPLE

Salaryman for West Midlands

The West Midlands Development Agency has a new representative in Japan - a former salaryman from Mitsubishi - who had, until this week, never been to the West Midlands.

Yasuhide Shigematsu, 54, says he knew the region "by reputation" and feels that "there is more due to happen in Europe than in North America as far as Japanese companies are concerned. I wanted to be part of that," he adds. He is currently spending two weeks finding his way around the place.

To date, the West Midlands has attracted around 60 Japanese companies employing over 8,000 people, as well as seven of the country's banks that have recently set up representative offices. The agency



contends that today's inward investment decisions are affected less by recession in the UK than by Japanese companies' own domestic problems, however, which means the Japanese are significantly delaying all decisions about

overseas expansion. One of Shigematsu's tasks while he is in Britain is to make recommendations as to whether his future marketing strategy should adapt to this change by concentrating more heavily on specific sectors - in contrast to the more generalised approach that has been applied until now.

Shigematsu comes from the machinery division of Mitsubishi outside Japan he worked on the sales and marketing side in both the US and South Africa. He also points out that he has been involved in setting up two joint ventures, one in China and one in Taiwan. He takes over from Ichiro Fujita, a banker with fluent English who had been promoting the region to the Japanese for the past four years.



JEFFERSON SMURFIT Group, the Irish paper, packaging and financial services company, has announced another management reshuffle involving the ubiquitous Smurfit clan.

Dermot Smurfit, joint deputy chairman, and younger brother of group chairman Michael Smurfit, is to become chairman and chief executive of Smurfit Continental Europe. He will have responsibility over France, Germany, Italy, the Netherlands and Spain. He replaces Ray Mizzells who retired earlier this year for personal reasons. The Continental businesses had a turnover last year of £140m, generated operating profits of £13.8m and employ about 3,850 people.

Dermot Smurfit is replaced as chairman and chief executive of Smurfit UK by Patrick (Paddy) Wright (above). He is a past president of the Confederation of Irish Industry. Michael Smurfit's son Anthony who is chief executive of the UK print and packaging division will report to him. The UK operations had a turnover last year of about £193m and made profits of £13.6m.



Michael Latham, the former Tory MP for Rutland and Melton who retired at the last election, is returning to his old stable, the Building Employers Confederation (BEC), as public affairs consultant to it and its private house-building subsidiary the House-Builders Federation.

He comes at the invitation of Ian Deslandes, acting director general of the BEC. The two have known each other since the mid-1960s when they were working at the Conservative research department. Latham became the director of the BEC between 1971 and 1973, and, before winning Melton in February 1974, brought in Deslandes as his successor.

Deslandes is now pleased to

be employing the services - and political contacts - of 49-year-old Latham about three days a week. Since recession in the construction industry is BEC's main preoccupation at present, one of his first tasks will be to help persuade the government to prolong the stamp duty "holiday" on house purchases beyond August.

Latham, who says his other main interest apart from the construction industry is "reconciling Christian and Jewish interests" is now also the director of the Council of Christians & Jews. While he felt that 18 years in the Commons was enough, he mentions that he is considering standing for the European parliament in two years' time.



Wolfgang Nitschke (above right) has been appointed general manager of the London Wiltshire Hotel. Since 1980, he has been vice-president Europe, for Regent International Hotels, which will manage the new hotel. John Waring (above left), former head of personnel at The Dorchester, has been appointed director of personnel.

Ralph Stevens, md of Greenhill Chemical Products, is also appointed md of Anteco, both subsidiaries of YULE CATTO.

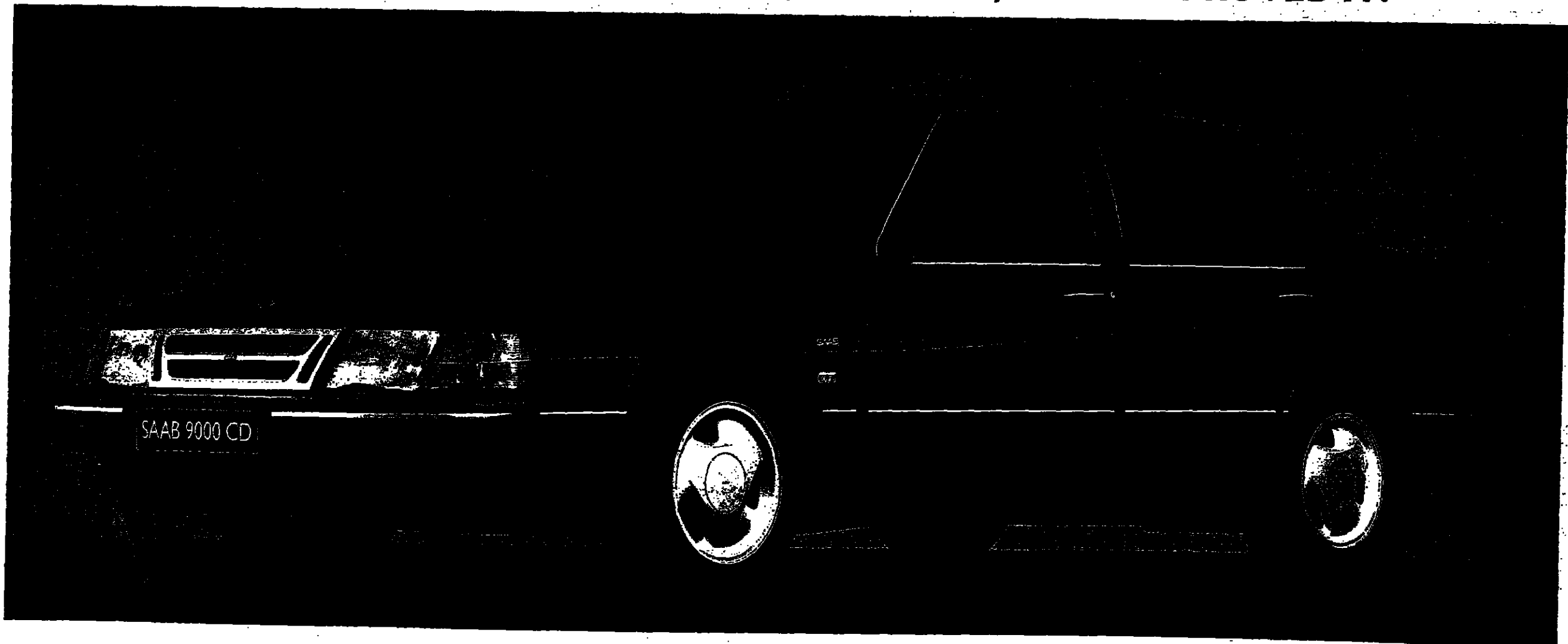
Don Sloan, marketing director, has been appointed to WOOLWORTHS main board.

David Harding, deputy finance director of TI, has been appointed finance director. Reg Moore has resigned from the board of Dowty and will act as a consultant to TI.

Steven Glick has been appointed group legal adviser and company secretary of GRASEBY on the retirement of Donald Lester.

Les Trench, formerly md of Steeley Building Products, has been appointed md - Britain for CRH.

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giving maximum time to react.

Response is immediate whatever the conditions. ABS and Saab's unique Traction Control system add even more stability.

All this makes for a more alert driver, which is the starting point of the Saab design philosophy.

From whatever perspective, you have to be safer if you are travelling in a Saab.



SAAB

Pop

Liza Minnelli

Liza tells us that when she was a youngster she used to sit on the stairs at Sammy Davis Junior's Hollywood mansion and listen to the adults enjoy a sing-song around the piano. Brando, Dali, Monroe, Dietrich, Sinatra did their party pieces with James Stewart rather improbably rattling the ivories. Ah, happy days.

Now, so many breakdowns, marriages and traumas later, Liza Minnelli stands almost alone in perpetuating the show biz tradition she was raised in, the old trouper for ever smiling through, alive only on stage. Any performance by Liza Minnelli is bound to be heavily seasoned with schmaltz. When she committed herself to holding a charity tribute, "paying back something to Sammy", the sentimentality was guaranteed to be boundless.

In the event the evening was beyond criticism because it raised over £500,000 for cancer charities in the UK and the US. It also delivered the personalities that the audience craved. On to the stage in the round, like balls entering an arena for their brief moment of glory, bounced an extraordinary mish-mash of stars. Why, that's Jerry Lewis, it's Tom Jones, surely Joan Collins, and Charles Aznavour, and Cliff. There was room, too, for that ineffable kick of the stars, Lionel Blair, who can always be relied on to put in an appearance rather than put on a performance. The only time the audience hesitated was when Liza's sister, Lorna Luft, did her party piece. In the event her Sammy Davis story capped them all - he was actually present at her birth. No matter that many read their tributes from the autocue - they'd answered the call.

The second half was all Liza. The voice may be dodgy, especially in the high notes, and the movement less springy, but no one can publicly emulate like Ms Minnelli. There were too many of those noisy tuneless songs inspired by positive thinking, epitomised by the newly penned "Yes I Can", and the Newley-Bricusse song book featured too prominently, but you have to admire Liza - if she'd been on the Titanic she'd have gone down tapping. There was even a medley of real style, of classic standards ("Just You, Just Me", "Never Be Another You"), the songs the stars sang "At Sammy's House".

At the end the grease paint crown passed on - the tributes transferred from Sammy to Liza. Sinatra was on screen to seal the show, and then Jerry Lewis gave Liza the first "Sammy", which looked like an African fertility symbol. Judging by the praises sung - his generosity, his friendship, his professionalism - Davis is on his way to a swift sainthood. The man himself, in a remarkably frank biography, painted a portrait of a frankly reprehensible person redeemed by his honesty. But for one night the audience, who enjoyed the privilege as cardholders of American Express, the sponsors of the show, could take a peep at the garish, glittery world of entertainment and go thankfully home to their discreet beds.

Antony Thornecroft

Cinema/Nigel Andrews

Blissful send up of Tinseltown

THE PLAYER
Robert Altman

GLADIATOR
Rowdy Herrington

RAINER WERNER FASSBINDER

All the world loves a comeback. In Cannes, where Robert Altman's blissful Hollywood satire, *The Player*, won best director prize, Altman gamely insisted that he had never been away. But two decades have passed since his last palpable hit, *Nashville*. During that period Hollywood's favourite ageing hippy, the creator of *M.A.S.H.*, *McCabe and Mrs Miller* and *California Split*, has marked time with fidget-inducing filmed plays like *Streamers* or commercial clunkers like *O.C. & Stiggs*.

Altman has never been away? As soon as he believes *Rip Van Winkle* if he claimed he had only nodded off for an hour. But in *The Player* Altman not only returns, he returns in style. He takes up the red carpet nervously laid out for him by Hollywood, puts it between his teeth and munches it happily for two hours. The nominal plot, derived from screenwriter Michael Tolkin's novel of Hollywood life and death, concerns the cover-up campaign of a young studio executive (Tim Robbins) who has murdered a screenwriter suspected of sending him poison pen postcards. The real plot, scribbled between the lines by a lovingly acerbic Altman, concerns the follies of the film community as millions of dollars are poured daily into an industry largely devoted to recycling yesterday's waste.

We get the message in the virtuoso 10-minute opening shot. As the camera serpentine around a studio forecourt, following strolling execs or peering through windows, we eavesdrop on a dozen different conversations. The respected film-maker pitching "The Graduate 2", the young writer promising a script that's "like *Ghost* mixed with *The Manchurian Candidate*", the studio employee shouting "Hey, you're Martin Scorsese" to Alan Rudolph.

This is the Tower of Babel passing itself off as a communications industry. The language spoken in Hollywood, as everyone who has been there knows, is Gobbledygook with dance works often suggest cinematic structure. The action flows, then lingers on incident. Revelatory images spring vividly from a long shot of the narrative; dreams (the girl's longing for her lover; the photographer's feelings for the girl) shadow each moment of the drama.

I find the resultant work allusive, haunting. Brandstrup's ability to fix emotion with gesture is wonderfully exact; his choreographic language is fluent, clear and true. Kevin Richmond, as the photographer, gives a performance beautifully judged both in its intensity and in its control; Josephine Jewkes is no less fine as the girl. The score is by Gerard McBurney, based on piano fragments by Mussorgsky; minimal, efficient design is by Fotini Dimou.

Josephine Jewkes and Kevin Richmond also take leading roles in Robert North's *A Stranger I Came*. Seven Schubert songs provide a basis for a study in high Romantic despair as Thomas Edur wanders the world, unhappy in love (Miss Jewkes the woman), his every step dogged by his *doppelgänger* fate (Mr Richmond). North's choreography has a directness of response to the score that disarms our suspicions that the songs are not to be so arbitrarily used (the musical desolation of *Die Leiermann* is dispensed in character capers), and the cast respond with no less direct interpretation.

THE PLAYER
Robert Altman

GLADIATOR
Rowdy Herrington

RAINER WERNER FASSBINDER

out subtitles. But that language also has a nightmare logic. "I didn't know you had a drinking problem" says Robbins to fellow studio whizzkid Peter Gallagher as the latter sets off for an Alcoholics Anonymous meeting. "I don't," comes the reply, "but that's where all the big deals are being made."

Meanwhile there is the stark-eyed English director (Richard E. Grant) eager to make a no-compromises anti-capital-punishment picture. This will end up as a gaudy jailbreak romp starring Julia Roberts and Bruce Willis, playing themselves. There is Robbins's secretary-girlfriend sent to New York on a Wolf-hunting trip, to sign up *Bonfire Of The Vanities* author's new book, while Robbins himself plays wolf to Greta Scacchi's fey Icelandic painter (ex-girlfriend of the murdered writer). There is the Hollywood-influenced priest at the funeral intoning "It's been a long day - fade out - thank you." And there is the ceaseless round of Tinseltown parties, where celebrity-spotting becomes a form of delirium tremens.

Oh look, there is Rod Steiger, Harry Belafonte, Cher, Elliott Gould, Spiro Agnew, Benjamin Disraeli, Plato... Most of the above appear for real in *The Player*. How an Altman at low career ebb persuaded them to lend cameo kudos to a low-budget comedy aimed at savaging the hand that feeds them is a mystery. But what a beautiful mystery. The film glides along like the invertebrate masterworks of Altman's heyday: those films that seemed all grace and no structure. The camera defies walls, passes through windows,

peers under folded raincoats (where a rattlesnake may be concealed), observes the overlapping chatter and makes the filmgoer jump in pleasure at the surreal sight of a knee emerging from a mudbath.

When in doubt, which is not often, Altman cuts to a comedy subplot serenely tangential to the Tinseltown themes. Whoopi Goldberg crackles through the story as a semi-crazed black woman detective, clearly overstrained by being every oppressed social sector's equal-rights representative.

Like all masterworks, *The Player* is a film to be lost in. We are never more certain of its sense of direction than when we blithely query "Where are we?" And we are only aware of faltering navigation when we can say "Oh here we are", stuck with the indifferent love scenes between Robbins and Scacchi. Scacchi does her bushy-eyed, aren't-I-enigmatic routine. And though Robbins won a Cannes best actor prize for his sweetly creepy anti-hero, his natural passivity becomes dull away from the film's satiric epicentre.

Elsewhere, *The Player* will be remembered as a satire that pours scorn over its targets as if scorn were champagne not vitriol. It may also be remembered as the opening shot of a new and exciting epic - who says that some movie ideas are not worth recycling? - "Robert Altman the Sequel."

Gladiator should have come as part of the publicity kit for *The Player*. This is the kind of film Mr Altman is talking about when he suggests that modern Hollywood, or a large part of it, is brain-dead. Somewhere in Chicago, high school youngsters of all ages and races come together nightly in a giant look-up warehouse to box. It is illegal, semi-suicidal and highly paid: \$1000 for a night's work. Crooked promoter Brian Dennehy, a Satanically-lit hulk peering down on the ring from his office window, would like blood for starters, fear for main course and death for dessert. The merry patter of fist of facial



Tim Robbins in 'The Player': Robert Altman returns to form with a vengeance

bone continues for 101 minutes, sometimes interrupted by demented character work from Dennehy and Robert Loggia. The latter enjoys himself as a foulmouthed trainer. "Frig this," "Frig that," "Frig you" he says. I am giving you the TV and airline version.

But no amount of up-to-date expletives or multi-racial casting - James Marshall as the white hero, Cuba Gooding Jr of *Boyz n The Hood* as his black rival, Jon Seda as an excitable Latino - prevent this film from looking like an old Warner Brothers white slave melodrama of the 1930s. We keep wondering when Edward G. Robinson or Sydney Greenstreet will turn up, or James Cagney prance in hitching his shoulders and snarling "You triggin' rat."

I love the myths that grow up around film-makers at anniversary time. In the new issue of *Sight And*

Sound, six pages are devoted to the memory of Rainer Werner Fassbinder who died ten years ago this month. The critic writing the main essay, carried away by his own certainties, claims that RWF's weird tale of an abused transsexual, *In A Year With Thirteen Moons*, was his most autobiographical film and that the director "took personal responsibility for virtually all aspects of the film's production."

Ah yes. And pigs have wings. I watched two day's shooting on this movie in Frankfurt. Fassbinder, heavily into abusive substances at this time, failed to turn up one morning, vanished one afternoon, and even when present for filming tended to hand the camera to one of his actors to rehearse and shoot. Between sessions of waiting-for-Rainer I and another critic buzzed off to an ice cream parlour with main actor Volker Spengler. Since Speng-

ler was dressed in drag, these trips tended to disrupt traffic and attract even more chaos around the production.

RWF was a genius but not always a hands-on genius. Many of his best films were collaborative creations in the best Renaissance tradition, made with a team of cronies who might have been dubbed the Scenola di Fassbinder. To venture this idea does not diminish the achievement of his best work, represented in the ICA's coming season: *The Bitter Tears Of Petra Von Kant*, *Effi Briest*, *Fear Eats The Soul*, *Fox And His Friends* and the spellbinding *Merchant Of Four Seasons*. Fassbinder, with and without help, created a cinema that used seeming naivety of gesture and image to refresh our perception of truth, jaded from long decades of looking at the true naivety of Hollywood or the overwrought sophistications of Europe.

English National Ballet



Josephine Jewkes and Kevin Richmond in Kim Brandstrup's 'White Nights'

tions. Edur is superb, an Apollonian premier danseur who uses the classical vocabulary as his native tongue, and can speak of feeling as well as of the beauties of academic propriety. Here he gives the dance a Schubertian dignity and poignancy.

The remaining pieces in this programme were lighter in weight. From the American choreographer David Parsons two clever jokes. *The Envelope* is about an up-and-downable, inescapable letter, that passes

among seven dancers and won't go away, while fragments from Rossini overtures goad the quirky movement ever onward. *Sleep Study* is about seven pyjamaed people who behave as insomniacs will know only too well: twitching, turning, lying on their backs, sides, on each other, prey to every known form of fidget. Non-dance as dance, and great fun. Both pieces are short, impeccably timed by creator and interpreters.

And to close the evening, L.

a choreographic tribute to Liza Minnelli from Ben Stevenson. It proposes 13 men, three percussionists, and a torrent of trick steps and show-biz clichés that make it a mockery of male dancing as anything save cheap-jack physicality. It was singularly unexhilarating, and unflattering to its cast.

Clement Crisp

English National Ballet is at the Coliseum until June 27.

Opera/Richard Fairman

Don Pasquale

It is unlikely that Donizetti realised what a favour he had done opera-house managers when he wrote *Don Pasquale*. The opera has been popular since the day it was first performed and yet, with just four singers, no need for big, expensive voices, a small chorus and modest sets, it involves less than a grand opera budget.

Thus *Don Pasquale* is often called for. Even when the rest of Donizetti's output was mostly languishing in neglect, this well-made comic opera had a ready audience. The Royal Opera has been playing it since 1973 in the production by Jean-Pierre Ponnelle, which looks more tasteful now than it did 20 years ago (how styles change!) and the opera has never failed to put across its wit and considerable charm.

The present cast is a partial reconstruction from the revival of two years ago. The mainstay then was Paolo Montarsolo as Pasquale and he is back, giving every impression that he has lived the role for a lifetime. As he curls up in a favourite armchair, he really seems fond of the old fellow, comfortable in his crumpled smoking-jacket, at home in his fusty bachelor drawing-room, at ease even with his rheumatically wheezes and slow shuffle.

Montarsolo is also Italian, which helps in getting the words across. The patter in his

duet with Dr Malatesta went at just about the fastest rate this production can have seen and the French baritone François Le Roux as the double-dealing doctor, visibly a sharp operator as quick on his feet as he was to flash a winning smile, did well to keep up with him.

The two young lovers were played by Judith Howarth and Raúl Giménez, able singers both. The soprano is careful to bind one note to another and makes a Norina in whom one always has confidence, firmer of voice than many who take the role, not a flighty canary of a singer. Her whistling high F in the opera's final moments arrived without warning. Giménez is at his best in the scene of the nocturnal tryst, where he touches upon the top notes with moon-lit delicacy.

There is more opportunity for expressive singing in the bel canto style than the four singers find between them, but with Bruno Campanella providing a stylish lead from the pit the musical standard is very respectable. One change in the staging is that the cats, which were such a feature of Pasquale's household, have gone. Or perhaps this production has simply outlived them: *Don Pasquale* always has been an opera with nine lives.

Performances continue at Covent Garden until July 2 (Box Office 071-240 1066)

INTERNATIONAL ARTS GUIDE

AMSTERDAM

Muziektheater 20.00 Holland Festival production of Stockhausen's *Die Nacht aus Licht* (6255 455)

BARCELONA

Palau de la Música 21.00 Concert by Barcelona City Orchestra. Repeated tomorrow, Sun and next Tues: Liza Minnelli (268 1000)

FLORENCE

Teatro della Pergola 20.30 Vittorio Sicuri conducts Rossini's *Petite Messe Solennelle*. Tomorrow and Sun in Teatro Comunale: new MaggioDanza production of arrangements of 19th century theatre ballets, choreographed by Evgeny Polyakov and Orazio Messina (277 9236)

GENOA

Teatro Carlo Felice 21.00 Bob Wilson's Hamburg production

of *The Black Rider* by Tom Waits. Also tomorrow, Sat and Sun (589329)

LONDON

MUSIC AND DANCE Covent Garden 20.00 Christoph von Dohnanyi conducts Der fliegende Holländer, with James Morris and Julia Varady, also Mon. Tomorrow and Sat: Don Pasquale (071-240 1066)

Collection 19.30 English National Ballet in Ben Stevenson's new production of *Cinderella*, also tomorrow and Sat. ENB summer season continues at the Royal Festival Hall in the last week of July (071-836 3161) Royal Festival Hall 19.30 Ravi Shankar plays north Indian classical music for sitar. Tomorrow: Jane Glover conducts RPO and London Choral Society in an all-Poulenc programme. Sat: Krystian Zimerman plays Beethoven (071-928 8800). Sun and Mon in Barbican: Michael Tilson Thomas conducts Bernstein's *On The Town* (071-638 8891)

Queen Elizabeth Hall 19.45 Trumpeter Alan Elsdon and his All Star Jazz Band in a tribute to fellow trumpeters Louis Armstrong and Alex Welsh. Tomorrow: Brigitte Fassbaender song recital (071-928 8800)

THEATRE

Fuente Ovejuna: Lope de Vega's 1612 play tells the story of a small town's revolt against a brutal overlord. Declan Donnellan's acclaimed National Theatre production, back in London after a visit to the Seville

Expo, is in repertory at the West End shows, photo. Cartwright's new play *The Rise and Fall of Little Voice*.

The NT also has Molière's comedy *Le bourgeois gentilhomme*, directed by Richard Jones, and George Farquhar's comedy *The Recruiting Officer*, directed by Nicholas Hytner. A new production of Shakespeare's *A Midsummer Night's Dream*, directed by Robert Lepage, begins previews next week (National 071-928 2252).

New Shakespeare Company's summer season in Regent's Park has *A Midsummer Night's Dream* and *As You Like It*. The classic Gershwin musical *Lady Be Good* joins the repertory on July 28 (Open Air 071-486 1833). The Royal Shakespeare Company has *Romeo and Juliet* and Ben Jonson's satire on greed, *The Alchemist*. A new play by Richard Nelson, entitled *Columbus The Discovery of Japan*, opens on July 22 (Barbican 071-638 8891)

A Judgement in Stone: Sheila Hericott stars in a new musical thriller based on the novel by Ruth Rendell. Until July 4 (Lyric Hammersmith 081-741 2311) The Blue Angel: Kelly Hunter takes on the mantle of Mariene Dietrich as the night club singer who captivates the respectable Professor Raat. Trevor Nunn directs Pam Gems' adaptation of the Heinrich Mann novel (Globe 071-494 5065). Ends Saturday.

For ticket information about all West End shows, photo. Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

MUNICH

Philharmonie 20.00 Enoch zu Guttenberg conducts the Brno State Philharmonic Orchestra and Chorgemeinschaft Neubauern in works by Stravinsky, Mahler and Gounod. Tomorrow: Hans-Martin Schneidt conducts Munich Bach Orchestra and Chorus in Rossini's *Stabat Mater*. Sun: D W Griffiths' silent film *Intolerance* with live orchestral accompaniment conducted by Carl Davis (Gastelg 48098 614). Munich Opera Festival opens on July 6 with a new production of *Carmen* and runs till July 31 (Bavarian State Opera 221316)

PARIS

Salle Pleyel 20.30 Semyon Bychkov conducts the Orchestre de Paris in the first of two programmes devoted to Dutilleux and Ravel. Tonight's programme features Dutilleux's *Metaboles* and Ravel's *Piano Concerto for the left hand* (Leon Fleischer), *La Valse* and *Rhapsodie espagnole*. Mon: Dutilleux's *Second Symphony* and Ravel's *G major concerto* (Alicia de Larrocha). A Dutilleux exhibition is on show from today till Monday evening at Salle Pleyel (4563 0796) Salle Gaveau 20.30 Song recital

by Ruggero Raimondi (4953 0507). Tomorrow in Basilique de Saint Denis: James Conlon conducts works by Poulenc and Gounod (4230 2308) Opéra Bastille 19.30 Arnold Oestman conducts *La nozze di Figaro*, with Tom Krause, Margaret Price, Adeline Scarabelli and Ferruccio Furlanetto. Tomorrow: Marek Janowski conducts Bruckner's Eighth Symphony. Sat: Otello (4001 1616) Palais Garnier 19.30 Marcello Viotti conducts Dario Fo's Amsterdam production of *Il barbiere di Siviglia*, with Louis and Gino Quilico, Gloria Scalchi and Luigi Roni. Runs till July 5, next performance on Sun (4742 5371). Tomorrow and Sun in Châtelet: John Eliot Gardiner conducts *Così fan tutte* (4028 2840)

A 24-hour recorded telephone guide to Paris entertainments is available in English by dialling 4720 8888

PRAGUE

OPERA A new production of Humík's 1966 opera *The Lady and the Robbers*, directed by David Sulkin, opens tonight at the National Theatre, repeated tomorrow, Sat: The Bartered Bride. The Prague State Opera (formerly Smetana Theatre) has Otello tonight and Sun, and a new production of *L'italiana in Algeri* on Sat. CONCERTS Tonight's concert by Musica

Bohemica at the Smetana Hall includes music by Bach, Handel and Telemann. Sat: Petr Attrichter conducts the Prague Symphony Orchestra in works by Bernstein and Dvořák. Sun: Bohumil Gregor conducts soloists and orchestra of the National Theatre in a programme of arias by Mozart (u Prasne brany 2, 232 5858).

For pre-booking and information about other events, contact city centre ticket agencies (Bohemica, Na Příkopě 16, 228738, or Melantrich, Wenceslas Square 38 in the passage, 228714) and theatre box offices.

STRATFORD

Three new productions by the Royal Shakespeare Company open in the coming week. Adrian Noble directs *The Winter's Tale* at the Royal Shakespeare Theatre (starts previewing tonight, opens next Wed).

Sir Peter Hall returns to direct *All's Well That Ends Well* in the Swan Theatre, with designs by John Gunter (currently previewing, opens next Tues). The first production of the season at *The Other Place* is *The Oresteia*, a new play by Caribbean poet and playwright Derek Walcott, inspired by Homer's epic. It is directed by Gregory Doran (currently previewing, opens next Thurs). The Stratford repertory also includes *The Taming of the Shrew* and *The Beggar's Opera* (0783-295623).

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN 2000-2030, 2300-2330 World Business Today - a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel 0630-0630 (Mon) FT East Europe Report - weekly indepth analysis from FTTV 2130-2200 (Tues) Media Europe - what's new in European media business 2130-2200 (Wed) FT Business Weekly - global business report with James Bellini 0630-0630 (Thurs) Media Europe 2130-2200 (Thurs) FT Eastern Europe Report 0630-0630 (Fri) FT Business Weekly

Sky News 0130-0200 (Mon), 2130-2200 (Thurs), 0630-0630 (Fri) FT Business Weekly

SATURDAY

CNN 0900-0930 World Business This Week - a joint FT/CNN production 1900-1930 World Business This Week

SUNDAY

CNN 1030-1100, 1800-1830 World Business This Week

Super Channel 1800-1830 FT Business Weekly

Sky News 1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Thursday June 25 1992

New direction in Israel

To a world which was growing cynical at the prospect for progress in Middle East peace negotiations, the result of Tuesday's Israeli election marks a refreshing new departure. Not only has a party that promises to engage much more constructively in the peace process emerged as the overall winner, Labour has also won by a margin convincing enough to put it at the centre of a coalition government that can proceed rapidly to implement its full agenda, starting with a freeze on Israeli settlement activity in the occupied West Bank and Gaza Strip and interim autonomy arrangements for the Palestinians there. The West, and especially the US administration, whose tireless efforts to keep Israel and its Arab foes at the negotiating table had an important influence on the election campaign, has every interest in welcoming the new Israeli government and helping it to keep its promises – as well as prodding the Palestinians and Arab states to stick to theirs.

he comes under pressure from the newly-confident left to step up the pace. He will be as conscious as anyone of the dangers of confrontation with the right – and especially with Jewish settlers in the occupied territories – as Israel moves towards the difficult territorial decisions that it has avoided for the past 25 years.

High expectations

Even the first steps down this path will be far from easy. Settlers have the capacity to play havoc with an attempted freeze on new settlements and with the Palestinian elections that Mr Rabin will want to stage as a prelude to allowing limited self-government. Externally, there is a danger of the Labour victory generating excessively high expectations that will later be dashed – when, for example, Mr Rabin fails to talk directly to the Palestine Liberation Organisation or makes clear that his idea of exchanging territory for peace is much more limited than those of his enemies and even his allies.

For the Labour leader, as for most Israelis, there is no question of handing back much more than the densely populated Palestinian areas of the West Bank and Gaza, only extremely limited flexibility over Syria's demand for the return of the Golan Heights, and absolutely no question of giving up sovereignty over any part of Jerusalem. He has also consistently argued that there is no room for an independent Palestinian state. Israel's Arab negotiating partners – who will never have a better opportunity to advance their cause through talks than now – would do well to bear these eventual obstacles in mind, and concentrate on transitional measures rather than demanding to know the shape of a final settlement in advance.

For the time being, though, momentum is all. President Bush and Mr James Baker, his secretary of state, understand that and will want to encourage the new Israeli government to plunge now into intensive negotiations with the Palestinians. If Mr Rabin agrees, and if he can make a freeze on new settlements stick, then Israel can reap its reward in the form of the \$10bn loan guarantee that Washington has been withholding.

Cautious pragmatist

Labour's 45 seats, coupled with the 12 won by the Meretz party to its left and the usual handful for the Israeli Arab parties, mean that it is in control and has no need to strike onerous coalition deals with religious or right-wing rivals. Indeed, Mr Rabin, a cautious pragmatist who campaigned on a ticket giving "security" at least as much weight as "peace" and was widely assumed to be manoeuvring his way towards another national unity government with the Likud, may find his party's mandate uncomfortably strong as

The future of school education

THE EDUCATION white paper due to be published next month will set out the government's plans for state schools in England and Wales for the next 25 years. Mr John Patten, the education secretary, is determined that it should enhance parental choice by increasing the number of schools opting out of local education authority control. But opting-out is raising questions over the future of school education to which the white paper will need to find convincing answers.

So far fewer than 250 of the 25,000 schools in England and Wales have become grant-maintained – funded from Whitehall, with their governors enjoying almost unfettered control over management, budgets and recruitment. But with the Conservative election victory, the trickle is turning into a flood, as 180 requests for information now pour in every day. By the next election, most of the 4,000 secondary schools are likely to have opted out. The white paper will include measures to allow the smaller primary schools to opt out in consortia.

Such growth is likely to increase the sort of problems of access which have appeared in areas where schools have already opted out. In the London borough of Bromley, for example, several hundred parents recently found that there was no place for their children next autumn at the nearest secondary schools, as opted-out schools cast their nets more widely. Similar problems have emerged in the London borough of Hillingdon. Local education authorities may find themselves hard-pressed to ensure school places for all as opting-out becomes the norm. Parents could find that their choice has diminished rather than increased.

Progress indicators

These problems will be exacerbated once information about examination results, truancy rates and other indicators of schools' progress is published in league tables. It is entirely right that such information should be collected and disseminated – but it is clear what the consequences will be. Middle class and highly motivated parents will gravitate towards schools with the best

results, while those at the bottom of the league tables will find it harder to attract able children. A rational headteacher – whose salary reflects the size of the school roll – will try to select entrants who are less likely to depress performance.

Serious deficiencies

Two consequences follow from this. The first is that there will be a group of pupils no grant-maintained school will wish to accept – including those with poor attendance records or a history of disturbance. Yesterday's Audit Commission report has highlighted serious deficiencies which already exist in provision for the one in five children with special educational needs. These will be harder to tackle if schools become fustier about their entrants.

The second is that such pupils will be concentrated in schools remaining in local authority control, which will become the education of the last resort. This will increase, rather than decrease, the number of inner-city sink schools which the government hopes to tackle. The creation of a series of "sin bins" is a policy no government should contemplate.

One solution which the white paper might consider is a funding incentive to encourage grant-maintained schools to accept a fair share of children with special needs. Such pupils could attract additional per capita grants, for example. The local education authority might also be given the right to nominate a proportion of pupils to grant-maintained schools to ensure that all schools accept a cross-section of abilities and backgrounds.

Whatever the solution, it is clear that there remains a role for an elected local education authority even after opting out has become the norm. Rather than providing school education, the local education authorities would then assume a new purchaser role, ensuring that all children have equal access to education and planning local provision. The white paper should resist the temptation to abolish them in favour of some quango or Whitehall control. If it does, it will rue the day – and, as with the poll tax, virtually every independent voice will have told it so.

South Africa is being given a look into what might be its future, and it is likely to prove a salutary experience. Township slaughter and trigger-happy police have raised fears that constitutional negotiations, already deadlocked, will be abandoned. An apocalyptic vision of a country slipping into ungovernability is gripping South Africa.

For the past 24 hours the African National Congress (ANC) and the government have been locking horns in a dramatic test of political will which could either break the deadlock or push the country towards disaster.

Last night's angry rejection by the ANC of President F.W. de Klerk's proposal of a two-day meeting to break the deadlock is moving towards the abyss. But the more likely outcome is that the days ahead will see both sides make clear that they see no alternative to the negotiating table.

The present crisis reflects a deep distrust between the two sides and the wide gap over constitutional objectives. But the tragedies – the latest in political violence that has cost more than 13,000 lives since 1984 – may yet turn out to have provided an impetus to the talks, and not to have sounded their death knell. Politicians' minds are being concentrated by a week which has had all the ingredients of recurring South African nightmares.

Sharpeville in 1960, the 1976 Soweto students' uprising, the township wars of 1984-86 – all are etched in the country's memory. Boipatong, until now an anonymous shanty township near Johannesburg, joined this list last Wednesday.

Unknown assailants slaughtered 42 residents including a pregnant woman and a baby. The ANC blamed supporters of Chief Buthelezi's Inkatha Freedom Party (IFP), and accused the security forces of complicity. Three days later, police opened fire on unarmed demonstrators, protesting against the massacre, killing three people, and an outraged Mr Nelson Mandela announced the suspension of constitutional negotiations.

Thus began South Africa's latest crisis, with the financial rand – the investment currency – falling nearly 7 per cent in one day, talk of renewal of sanctions, and calls for the involvement of the United Nations.

The sense of crisis deepened as old political instincts rapidly resurfaced. Mr Mandela threatened "mass action", a series of strikes, demonstrations and boycotts. President F.W. de Klerk, driven by angry residents out of Boipatong where he had gone to express his sympathy, took refuge in *bragadadheid* – the iron fist used by his predecessors – hinting at a government crack down.

By Monday, however, as fury at home was matched by outrage abroad, the full enormity of the crisis was dawning on a government that had become over-confident, forcing President de Klerk to cut short a visit to Spain and return in time for yesterday's cabinet meeting.

Were South Africa a democracy, Mr de Klerk's party would be out of office, replaced by the ANC. Two official investigations into government departments or agencies have revealed fraud running into millions of rands. A combination of press inquiries and judicial investigations have produced powerful evidence of state involvement in violence against its political opponents, particularly the ANC. Mr de Klerk's belief in his cause

seemed undented, however, contributing to his failure to grasp the consequences of seemingly endemic violence on the peace process. Buoyed by the referendum in March in which 69 per cent of whites endorsed his reform programme, the president has been able to point to a string of successes: the repeal of most sanctions, re-entry into the international sports arena (now in jeopardy), and warm receptions in formerly hostile countries.

But central to his confidence is Mr de Klerk's belief that the National party can lead a winning alliance in South Africa's post-apartheid elections. Far from being depressed at the deadlock at last month's Convention for a Democratic South Africa (Codesa), the multi-party negotiating forum, Mr de Klerk seemed unshaken in his belief that his party would remain central to the government of a future South Africa.



F.W. de Klerk, top, Nelson Mandela and, right, blacks protesting against the Boipatong massacre



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In private at least, ANC officials acknowledge that the electoral arithmetic gives them food for thought. It assumes that the bulk of white voters (14 per cent of the population) would vote for Mr de Klerk. Both the coloured (9 per cent) and Indian communities (3 per cent) could be drawn into a minority party alliance in which the other leading black participant would be

Chief Buthelezi and his Inkatha Freedom Party, drawing support from the country's 5m Zulus, 21 per cent of the black population. The right-wing Conservative Party (representing about a third of white voters) would, it is argued, have no choice but to join South Africa's "rainbow coalition".

Put this calculation in the context of the government's constitutional proposals and the ANC's uneasy deepens. Mr de Klerk envisages not only power sharing in an executive, whose composition would reflect the principle of proportional representation. At the Codesa negotiations the government has insisted on a decentralised administration, giving provincial assemblies considerable autonomy, with their powers entrenched in the constitution.

Such a system offers Chief Buthelezi the possibility of securing Natal as his fiefdom, and the prospect of a Cape Province run by whites and coloureds whose combined population outnumbered that of blacks. Add to this strategy the existing white dominance of commerce, the civil service and the security forces, and Mr de Klerk's confidence seems understandable. It is against this backdrop, say ANC officials, that

the violence can be explained. The brutality, they claim, is intended to consolidate Inkatha's hold on Natal, where some of the worst violence has taken place, make support for the ANC dangerous and persuade ethnic minorities to choose the side with the greater firepower.

But other explanations of the slaughter include allegations that it is the ANC which has been responsible. A leading South African commentator yesterday contrasted the outrage over Boipatong with the muted protest over the slaughter of at least 23 people at the Crossroads squatter camp east of Johannesburg last April. The fundamental difference behind the response provoked both at home and abroad, notes the commentator, is that "Boipatong is a township in which the ANC is the dominant political organisation; the IFP is paramount in Crossroads".

Wherever the truth lies, the ANC is discovering that an interim government will not be achieved on such terms it anticipated. Earlier this year Mr Mandela said agreement on such a government was imminent, and his supporters' frustrations are mounting. The reality is that neither the ANC nor the government entered the May talks with an accurate assessment of the other's position. They underestimated their policy differences, partly through failing to take each other's stated

position seriously, and failed to realise the limits of their powers.

The negotiating process is only now starting to grapple with the fundamental problem of how to reconcile majority rule and minority rights. The parties have sprung through the preliminaries, creating a false sense of optimism about the speed with which agreement can be reached on fundamentals. Premature electioneering, in which Mr Mandela and Mr de Klerk increasingly see each other as rivals in the battle for power rather than partners in the transition from apartheid, is also poisoning the atmosphere.

The wrong constitutional mix, warned Mr John Kane-Berman, executive director of the South African Institute of Race Relations, an independent research body, could exacerbate violence and civil strife. "We do not want a constitution which, like the Treaty of Versailles, merely lays the foundations of the next war."

The days ahead will show how much has been learnt by the negotiators from the impasse reached last month. For its part the ANC has so far performed adeptly, doing enough to reflect the anger of its supporters, while setting terms for the resumption of talks which should fall within the government's grasp. Some are not new and have already been accepted by government in principle. These include a commitment to an interim government, hunting out rogue elements in the security forces and abolishing the hostels where residents have been responsible for many of the killings.

The main stumbling block may be the ANC call for an international commission of inquiry into the Boipatong massacre. But middle ground may be found. Mr de Klerk yesterday pointed to the standing inquiry by a South African judicial commission into political violence which has been critical of the security forces. The same judge about to investigate the Boipatong tragedy could be assisted by an assessor "of international repute". The government also appears to be softening its resistance to international monitoring, with delegations from the Commonwealth and the Organisation of African Unity among the visitors to troubled townships.

The main question is whether Mr de Klerk and his cabinet have been joined out of their complacency by the events of the past few days, and now accept that only a genuine attempt to tackle violence at its core will create the right climate for talks. The imperatives driving the government to the negotiating table are as strong as ever, whether an economy in recession or the prospect of a repeat of the insurrection in the townships in the mid-1980s.

For Mr Mandela the threat of "mass action" could prove a two-edged sword. He cannot afford to ignore that part of his constituency which consists of frustrated youths who boycotted their schools in order to man the barricades in the townships. Counting for their loyalty is the radical Pan Africanist Congress (PAC) which has remained aloof from Codesa, arguing that it will lead nowhere.

What Professor Frederick van Zyl Slabbert, a leading commentator, described as a "massive growing young black population, increasingly urbanised, yet unskilled, unemployed and politically volatile" may well interpret Mr Mandela's appeal for action as a renewed call to the barricades.

BOOK REVIEW

Look back in longing

The lightness of touch Mr Paul Volcker achieves in his account of the beginning of the Third World debt crisis perfectly captures the flavour of this delightful book.

"The crisis landed on our doorstep – or, more literally for me, at a fishing ranch in Wyoming – early in the week of August 9. That morning, I had great difficulty catching anything. That afternoon, I was visited by the chairman of the Continental Illinois Bank, who flew out to tell me the bank was in so much trouble that it would need Federal Reserve support. The next day my office called to tell me Mexico was about out of money, so I headed back to Washington almost flustered."

In several decades of public service, Mr Volcker, the former chairman of the US Federal Reserve, and Mr Toyoo Gyohten, a former top official at Japan's Ministry of Finance, participated in nearly every important episode in international monetary policy. They have produced a wry, deftly understated account of momentous events, unblemished by any trace of pomposity.

The book grew out of series of seminars at Princeton University and is organised as a series of paired essays. The pattern is for Mr Volcker to provide a lengthy US perspective on an important episode – such as his battle against inflation in the early 1980s. Mr Gyohten then provides a shorter, but often surprisingly pithy, account of the same events as seen from Tokyo. As monetary history, the effect is unique: a rich stereo sound in place of the usual mono reproduction.

Perhaps the book's greatest virtue is its ability to put events in a long perspective. It opens in the 1950s long before Japan is perceived as any kind of economic threat. Mr Gyohten enters the story as an impoverished graduate student at

Changing Fortunes:
The world's money and the
threat to American leadership
By Paul Volcker and
Toyoo Gyohten
Times Books New York, \$25

Princeton trying to survive on one ham-and-lettuce sandwich a day. By the end, the tables are almost completely turned. It is American, rather than Japanese, goods that are seen as cheap and shoddy. It is the US, rather than Japan, that is running big external deficits. It is the US, rather than Japan, that is dependent on the goodwill of foreign investors. Mr Gyohten, once supplicant, has become a courteous paymaster.

Mr Volcker's account of events is tinged with a kind of sadness or resignation. He explains how, for the first decade or so of his career, he took both American pre-eminence and the Bretton Woods international monetary system for granted. "It's hard now, after all the changes in exchange rates and disturbances in financial markets, to recapture the strength of the emotional and intellectual commitment to the international stability of the dollar and the fixed gold price," he writes.

One of the book's highlights is a vivid account of the collapse of Bretton Woods during the Nixon presidency. Mr Volcker, then a Treasury under-secretary, reported to John "Typhoon" Connally, Mr Nixon's strong-minded Texan Treasury Secretary. Mr Volcker recounts how he feared the suspension of gold convertibility and devaluation of the dollar would be seen as a humiliation for the US. In the event he learned "a good lesson about what masterful politicians can do." Like Churchill after Dunkirk, Nixon and Connally managed to snatch victory from the jaws of defeat. In

the US at least, the emergency package was seen as a triumph and a fresh start.

Twenty years later, Mr Volcker remains nostalgic for the stability of Bretton Woods. "The monetary system has not been put back together in a way that really seems to satisfy anyone. And somehow we are still complaining about unfair military aid and trade burdens."

The book offers a fascinating account of the Plaza and Louvre exchange rate accords of the mid and late 1980s. But it is clear that neither author has much respect for these half-hearted attempts to coordinate policies. Mr Gyohten criticises Mr James Baker, then US Treasury Secretary, for aggressively pushing policies that were in the US rather than the global interest. "I am forced to argue that the pattern of policymaking did corrupt the fundamental long-term relationship between Japan and the United States," he writes.

Mr Volcker is a little more circumspect, but he too criticises the US for being "incapable of matching our action to our analysis". Both emphasise the failure to back exchange rate pronouncements with concrete budget, trade or structural policies.

Changing Fortunes ends on a somewhat pessimistic note. It was no accident, the authors argue, that the breakdown of Bretton Woods led to weaker growth, higher inflation and an increase in protectionist pressures. Yet they have little confidence that another era of stability can be established. The main reason is the immaturity of the world's biggest economy: lacking a firm commitment to either price stability or budgetary balance, the US is incapable of providing the necessary leadership. How frustrating for officials such as Mr Volcker who retain memories of brighter times.

Michael Prowse

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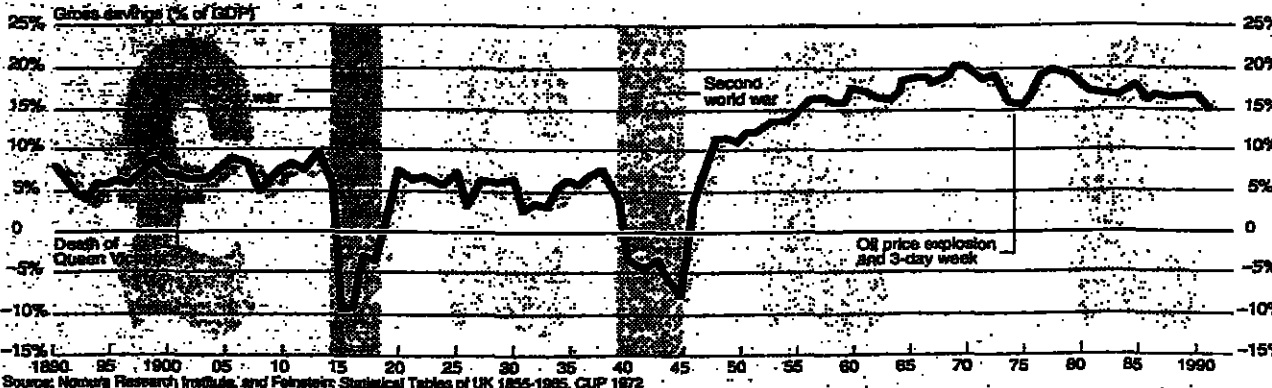
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The long upward drift of the UK savings ratio



ECONOMIC VIEWPOINT

Don't overdo the UK deficit hysteria

By Samuel Brittan

One advantage – some may say disadvantage – of an undergraduate education in economics some years ago is that one is unlikely to tremble with rage at a budget deficit, a supposedly low level of savings or similar examples of national fecklessness. The effects of budget deficits depend on the circumstances; and they can't just be compared with a person with too much debt.

To illustrate my theme I shall be citing material from rival City analysts, who – for all my occasional strictures – do useful research, which should not be spurned because of the quotes extracted from them by the media on one month's figures.

I shall start with the reliable Michael Saunders of Salomon Brothers. He estimates that the UK Public Sector Borrowing Requirement this financial year is more likely to be £22bn than the £28bn published at the time of the Budget, because of revenue shortfalls from a slower recovery.

But you haven't heard anything yet. The deficit for the following year, 1993-94, admitted to be £32bn by the Treasury, will be more like £41bn according to Salomon. If Salomon is right, this will be due to slower economic growth than forecast and also because the company has a more pessimistic view of the tax yield of a given gross domestic product than the Treasury has.

Salomon puts the 1993-94 deficit at 6.3 per cent of GDP – more than twice the Maastricht guidelines, although the latter are probably meant to apply over a cycle as a whole. Adding back privatisation proceeds gives £46.5bn or more than 7 per cent of GDP.

It comes as an anti-climax after these horror stories that Salomon should be expecting public spending cuts of just £1bn to take effect next year. The cuts would carry through to later years, but there would be nothing further. Phillips & Drew, never to be outdone,

talks about spending cuts plus tax increases totalling £94bn per annum.

The interesting thing about the Salomon projections is that after pages on the gloomy fiscal outlook, we are told that the rise in public sector borrowing will be matched by higher private savings and lower credit demand. In addition a fall in the underlying rate of inflation to just over 3 per cent is expected next year. It does not quite say that gilt yields are bound to rise, but comes very close to doing so.

Another set of analysts, Mark Cliffe and Chris Dillow of the Nomura Research Institute explain why they are not worried about the financing of the deficit. Their view is that when economic activity is depressed the private sector will save more and that this will finance the budget deficit.

To my mind the most interesting chart in the Nomura paper is the historical one reproduced above. This shows that, for all its short-term fluctuation the gross UK savings ratio in the past three decades has been more than twice what it was before the first world war when gilt-edged yields were below 3 per cent. The relevance of this to budget deficits is that the latter make an extra call on domestic savings over and above the claims of business investment.

It is instructive to recall that the low 19th-century savings ratio did not inhibit economic growth. Nor did it prevent a current payments surplus from arising. The share of investment in those years was even smaller than the share of savings. In view of the growth record, this suggests that the productivity of capital has shown a long-term tendency to

fall and this may be more worrying than any supposed savings shortage.

The problem with the analysis of historical statistics is that there is never a savings shortage or excess after the event. For the world as a whole savings have to be equal to investment – rather large statistical errors apart. For an individual country they can only differ through cross-border investment flows. The question is how any prospective gap is eliminated.

There is certainly no automatic tendency for higher budget deficits to drive up nominal interest rates. During the period since 1980 that large budget deficits have emerged as a problem, UK long term bond yields have fallen from nearly 12 per cent to about 9 per cent. Even in Germany where the swing of the budget into deficit has been very large and reflects medium term unification costs rather than recession, long term nominal rates have fallen slightly.

The problem is tackled from another angle by Tim Congdon in the April issue of the *Guardian* & *National Economic Review*. Congdon was associated with the theory that deficits crowded out private investment. But the moral that Congdon draws today is not that a budget deficit is without impact, but that its impact depends on how it is financed.

If it is all fully funded – that is, met by the sale of gilts – he would not expect it to boost, or even sustain, activity. When full funding applies, the home or overseas public have to take up government securities, so that their holdings of cash and bank deposits remain the same.

Congdon argues, that for the

deficit to be effective in sustaining activity, some parts must be met by the creation of money – or deliberate underfunding. In practical terms this means that the government would borrow stated and limited sums from the banking system through Treasury bills. The net effect depends on what happens to the whole structure of interest rates. I cannot pretend to have worked out what would happen if the government were deliberately underfunding to boost the money supply, but also tried to limit any fall in short term interest rates to avoid weakening the ERM parity.

As no-one has a satisfactory model of how the monetary system works I cannot see that there would be any harm in restating some broad money supply guideline, which would be consistent with non-inflationary growth. Whatever it is, it would be higher than the 5 per cent recorded in the past 12 months. I have in mind a presumptive rule to be followed unless there are good reasons why not, rather than an iron rule to be followed in all circumstances.

The expert group advising the EC Central Bankers Committee is hard at work on broad money trends. So the UK would be in good company. The worst that can happen is that the money would pile up on deposit – that is velocity of circulation would fall – or that the rule would be overridden by the needs of exchange rate policy or other events.

Economic policy has suffered from the belief in known truths. It is time to move to a more sensitive analysis in terms of risks and opportunities. Of any economic claim we should ask: what is the worst that could happen if the holder is wrong? And what opportunities might we be missing if some rival theory is right after all?

I am not advocating short-termism or that anything goes, but merely avoiding a pretence to knowledge that we do not have.

OBSERVER

New lady vanishes

■ What a pity that sweet stories aren't always true – the one about the Old Lady being run by a woman, for example. It seems that Sarah Hogg will not, in fact, take over from Robin Leigh-Pemberton as Governor of the Bank of England on his retirement 12 months hence.

For one thing, as head of the prime minister's policy unit, she is too valuable to John Major for him to countenance her leaving 10 Downing Street. For another, although extremely able, she lacks the tribal City background so far deemed essential in the governor's job.

What is more, Major is well aware of the criticism he'd invite by putting one of his closest advisers in charge of the Bank at a time of growing pressure for it to be given greater independence. Indeed, if European economic and monetary union stays on track, the next governor will almost certainly have to stand free of Whitehall, Treasury opposition notwithstanding.

But the main reason why 46-year-old Hogg won't be taking up the governorship is simply that she doesn't want the job. Hence the front-runners remain deputy governor Eddie George and Warburg's Sir David Scholey. Even so, since no announcement of the successor is likely till around Christmas, there is still time for some more adventurous suggestions. Let's hope so, anyway.

Disconnection

■ Not everyone is impressed with Malaysia's efforts to promote itself as the champion of the poorer Third World countries, judging by the

barrage of criticism coming out of the annual conference of The International Labour Organisation, just ended.

Malaysia's longstanding ban on unions in its electronics industry, in defiance of ILO rules governing freedom of association, was roundly condemned by both rich and poor countries. To add to the embarrassment, Ahmad Mohammed Idrus, Malaysia's government representative, was halted in mid-speech for over-running his time defending his country's anti-union policies.

Head case

■ A distress warrant with a difference has been served on the Irish legal profession by justice minister Willie O'Dea. He's told barristers that if they don't give up wearing wigs in court voluntarily, he'll scalp them statutorily with new legislation.

O'Dea objects to the wigs as "an intimidatory feature".

Cheap option

■ What price Britain's presidency of the European Community? Not the minting of a special set of Euro coins – the customary way for member countries to mark their stewardship.

John Major's government is breaking the mould, perhaps reflecting the seriousness with which the UK government takes its opt-out clause from the single currency envisaged in the Maastricht Treaty.

Instead, for all the talk about keeping Britain at the heart of Europe, what it will hand out on its assumption of the presidency next Wednesday will be a 50p coin, commemorative issue, of course.

An insider at the Royal Mint says it would have "loved" to strike an Ecu coin for sale to



"This is the part of underwriting I hate"

collectors, but Chancellor Lamont – Euro-sceptic architect of the Maastricht opt-out – vetoed the idea. Maybe the 50p alternative struck him as a bargain price to pay for keeping calm among anti-federalist Tory backbenchers.

Bye-bye Brown?

■ Never mind the quality, feel the name. This seemed to be the motto of many of the entrepreneurs who were chasing up the share prices of London's small merchant banks only a few years ago.

However, times have changed, and owning a famous nameplate no longer attracts quality business the way it once did – otherwise Brown Shipley would not be thinking of selling its 182-year-old merchant bank to Kreditbank, its biggest shareholder.

Montagu Norman, the most famous governor of the Bank of England, used to work at Brown, Shipley & Co, as did ex-premier Sir Edward Heath. In its heyday Brown Shipley was one of the great transatlantic banking partnerships, on a par with the House of

Morgan. Alexander Brown, a Belfast linen merchant, had emigrated to Baltimore; his firm remains a force in the business as does New York's Brown Brothers. Harriman which for over 100 years was part of the London firm.

It's a great pity – but Brown, Shipley & Co has long since drifted off course and seems to be following into retirement other once famous names like Arbuthnot Latham, Antony Gibbs, Seligman Bros and Wm Brandts. The name may linger on, but perhaps not much else.

Postman wanted

■ This week's rather good results from the Post Office cannot disguise the fact that the government still has the problem of finding a new boss for its biggest nationalised industry. Chairman Sir Bryan Nicholson goes part-time in October and will bow out next March and there has not been a whisper of his replacement.

Bill Cockburn, boss of Royal Mail at 48, and John Roberts, the 47-year-old head of PO Counters, are the obvious internal candidates. However, as all the previous chairmen have been imported, there's a good chance the private sector will be tapped again. But if the government is going to lure the right replacement it is going to have to do something about the starting salary. Even after his latest rise Nicholson gets only £170,000 a year – a mere pittance compared with the BT chairman's earnings.

Stumped

■ Cricket commentator Brian Johnston, 80 yesterday, says as you get older three things happen. "First, your memory goes, then... Sorry, I've forgotten the other two."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

LSE right to move to County Hall

From Mr J M Ashworth.
Sir, I write in response to Mr Burt's letter (June 23) on the London School of Economics's bid for County Hall.

We are not asking the government to give us County Hall. Rather we are seeking access to the site and to the information which we need in order to finalise a bid that will give us the space we need to expand (currently we have 26 per cent more students than the accepted university grants committee norms); to develop the research-led, post-graduate teaching activities which will be needed as the UK develops a mass system of higher education; to respond to demands for greater interaction with the commercial life of London by developing an "International Social Science Park" and in other ways and to expand our post-graduate management education activities.

We feel that this makes perfect financial sense and are confident that we can demonstrate this.

We agree that our standing in the future will be a function of the quality of our teaching staff and students and it is to preserve that quality that we need more space. It is not the grandeur of the County Hall that attracts us, it is its location and its size.

J M Ashworth,
Director,
London School of Economics
and Political Science,
Houghton Street,
London WC2A 2AE

US public servants do not chase fat cats

From Mr James Morgan.

Sir, We learn from David Goodhart and Michael Smith ("Playing catch-up with the private sector fat cats", June 23) that Britain's public servants deserve far more money if they are to stay in the same league as their colleagues in the private sector.

I had assumed that the words "public service" and "job security" meant some-

thing – can one imagine a judge getting the sack for incompetence? So one has to look abroad to see if noble traditions survive. They do – in the US, a supreme court judge gets £86,344 a year at current exchange rates. General Colin Powell, with allowances, gets £57,211.

James Morgan,
20 Rectory Road,
London SW13 8DT

An insensitive generalisation

From Mr Patrick McGrath.

Sir, I should like to object in the strongest terms to remarks made by Malcolm Rutherford in his review of *As You Like It* (Arts, June 18). Commenting on the performance of Bette Bourne as Jacques, Mr Rutherford states that there is an "underlying suggestion" that Jacques is suffering from "some fatal disease, quite probably Aids".

The patent leap in your reviewer's mind from the actor's deliberate choice of a camp, languid persona in his interpretation of Jacques to homosexuality, to Aids, displays an appalling insensitivity. Such a generalisation, made on such insubstantial evidence, is profoundly offensive – and not only to people whose lives have been directly affected by Aids.

Patrick McGrath,
122 Kensington Road,
London SE11 6RE

Arthritis and efficiency

From Mr R E Gutch.

Sir, Arthritis Care is totally in favour of improving efficiency, in or out of hospital, but your article, "Call for greater hospital efficiency" (June 23), caused many wry smiles here. Most people with arthritis can walk, but only for short distances and with pain. Some of them find that attending hospital out-patient departments can cause more pain and damage to their joints than the treatment they receive alleviates.

If Andersen Consulting's research results in a patient with arthritis having shorter journeys from the car park to the out-patients and then to the pharmacy, many of the 10m people with arthritis in the UK will be deeply grateful.

R E Gutch,
Chief executive,
Arthritis Care,
18 Stephenson Way,
London NW1 2ED

Parties which came out ahead in Maxwell affair

From Mr Crispin Drummond.

A curious silence from one corner of the City prompts a comment about one element of the Maxwell affair that Brown Maddox has not explored: who came out ahead?

Aside from amounts retained by the Maxwell family interests, and advisers' fees, most of the missing £900m-odd was paid across in 1990-91 ultimately to bona fide shareholders exiting Maxwell Communications Corporation and Mirror Group Newspapers. These investors had originally taken the decision to back Robert Maxwell and his companies, and in the absence of willing buyers for their shares they should by rights have incurred the full consequences of corporate failure. But the share support operations enabled them to avoid such a fate, by benefiting from the receipt of hot money taken from MGN pensioners and others.

There is of course no obliga-

tion for shareholders who should have lost out, but didn't, to reimburse those that shouldn't, but did. But it is important to identify where most of that missing money went, and to reflect that at least some parties – including eventually some pension funds – did comparatively well out of the Maxwell affair.

Crispin Drummond,
11 Clifton Road,
Winchester,
Hampshire

for shareholders who should have lost out, but didn't, to reimburse those that shouldn't, but did. But it is important to identify where most of that missing money went, and to reflect that at least some parties – including eventually some pension funds – did comparatively well out of the Maxwell affair.

Mark Rittner,
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Bush applies the heat to Perot

By Jurek Martin in Washington

THE REAL sub-plot of the US presidential election this year became clear beyond a shadow of doubt this week. Its resolution may well determine who becomes the next president.

There is no longer a "phony" war between President George Bush and Mr Ross Perot. The extent of Mr Perot's personal antipathy towards the president, always a factor in his independent proto-candidacy, has now been laid bare and Mr Bush, perhaps reluctantly but realistically with no alternative, has begun to respond in kind.

Governor Bill Clinton, the presumptive Democratic candidate, trailing both in the polls, has been consigned for the moment to the sidelines, a not unfamiliar place for him as the Perot phenomenon has gathered pace. But that may not be the worst place to reside as the two Texan, one born, one adopted, battle it out. While it carries the risk of being marginalised, it also contains the prospect of picking up

the pieces. Mr Clinton may even come to be seen as the voice of policy-orientated reason.

For the first time in his extraordinary rise, Mr Perot is genuinely feeling the political heat.

The raft of stories about the private investigations he has ordered into the lives of those

that he has only the "kindest, warmest feelings" for Mr Bush and his family.

But, with the next breath, he dismisses Mr Bush's own anger about the alleged investigations as "a total act". Neither comment conveys much respect for Mr Bush as a person.

Mr Clinton gets barely a nod in

the other two candidates. But the assumption is that, sooner or later, the public will want to know what he would do as president beyond "clean out the barn and throw out the trash" in Washington.

All the polls show that the Perot populist appeal is strongest in what Mr Bush had considered his territory - the southwest and west. Mr Mervyn Field, the California pollster, puts Mr Perot ahead in all the states west of the Mississippi except the northern farmbelt, Hawaii and Mr Clinton's Arkansas.

It is therefore incumbent on the Bush campaign to defeat the Perot balloon as soon as possible. A slow fade might actually help Mr Clinton, who is not so far behind the other two as to be out of it. If Mr Perot's support gradually declines to the 10-15 per cent range, then most of this would come from the Bush camp.

Of course, Mr Perot might defy the laws of political physics, as he has so far. But it is obvious he will only do so by being physical - with Mr Bush.

Ross Perot yesterday bluntly accused President George Bush of orchestrating a "Republican dirty tricks committee" designed to discredit his independent candidacy for president. Recent accusations against him would "make Hitler's propaganda chief proud", Mr Perot said.

who have displeased him or competed with him, including Mr Bush and his family, have put him on the defensive.

Yet his hurriedly arranged response, typical for one of such a combative nature, has been to fight fire with fire. His target is the "Republican dirty tricks committee" and its "propaganda", which he denounced yesterday as worthy of Josef Goebbels.

Mr Perot continues to protest

the Perot tirade. Yesterday he shrugged off the Democrat's latest detailed economic policy blueprint as "a soundbite", but then reneged on his own promise to come up with substantive policy positions soon.

This threatens to be a problem for Mr Perot and a weapon for Mr Bush and Mr Clinton. Recent polls have shown growing public scepticism of Mr Perot, though it has not yet reached the levels of

EC close to deal with Britain on working hours

By David Gardner in Luxembourg

THE UK last night was on the point of reaching a compromise with its EC partners on European Community-set limits to working time which it had previously said it could never accept.

Britain secured a partial opt-out on introducing the 48-hour maximum working week. Under the compromise, the UK would get a 10-year grace period on the 48-hour week, while the other 11 must introduce the measure within three years.

In Britain's case, the Council of Ministers would "review" the situation after its additional seven-year grace period, leaving open the question of whether the UK adopts it even at that stage.

Britain would, however, for the first time have to provide legal protection for workers who did not wish to work more than 48 hours, and to bring in legislation on mandatory time off.

The open-ended solution followed negotiations on Tuesday between Mrs Gillian Shephard, UK employment minister, and Ms Martine Aubry, the French labour minister.

A final agreement was being held up last night by a disagreement between France and Germany. But this did not overshadow the wish of member

states to show a united front - even on such a sensitive issue - because of the uncertainty over the Maastricht treaty after its rejection by Denmark, and before tomorrow's Lisbon summit of EC heads of government.

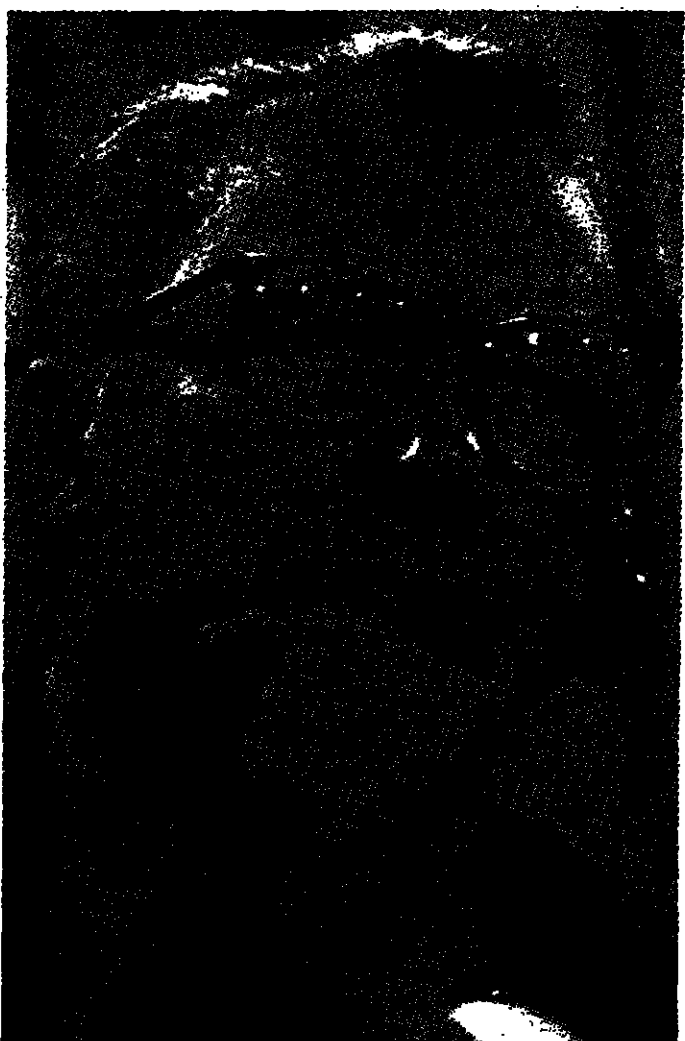
At the same time, the outline agreement is the first practical instance of the UK and its 11 partners reproducing in law their split on social policy at Maastricht. Then, the 11 opted to pursue their more ambitious social policy aims through a protocol to the treaty, leaving the UK subject to existing treaty provisions.

Germany and France, which had pulled out all stops to rescue the UK from being isolated over the directive, themselves disagreed over the number of months over which the 48-hour week should be averaged.

France did not want a reference period of more than four months but Germany argued for six months.

To accommodate the UK, the directive will allow people in all member states willing to work over 48 hours to do so, but give those who do not want to exceed this full protection under the law. Employers would have to keep records of both groups.

UK legislation, to be brought in within three years, would make a 48-hour limit the target, subject to these supposedly transitional



EC president Jacques Delors publicly apologised for warning Denmark it may lose subsidies if it failed to ratify the treaty

exemptions. It would also introduce statutory rights to 11 consecutive hours of rest a day; 35 consecutive hours of time off in each week; an eight-hour average

limit on night-shifts; and four weeks' paid holiday a year.

Fall in support for Maastricht, Page 2

ANC reject de Klerk's call for talks

By Michael Holman and Philip Gawth in Johannesburg

SOUTH AFRICA'S political crisis deepened last night as the African National Congress angrily rejected President F.W. de Klerk's call for a two-day meeting to break the impasse in the country's peace process.

In a statement issued three hours after Mr de Klerk's attempt to defuse the tensions that have built up since last Wednesday's Boipatong massacre, the ANC said the proposed meeting "will serve no useful purpose".

"Once more the National Party has shown its lack of appreciation of the depth of the national crisis it has plunged the country into," said the ANC.

Earlier Mr de Klerk, who had cut short a visit to Spain to pre-empt yesterday's day-long

cabinet meeting, said he had been "deeply disappointed" at the ANC's decision on Tuesday night to withdraw from constitutional negotiations, and said the government would try to put the peace process back on track "as soon as possible".

Mr de Klerk went some way towards meeting ANC demands for an international inquiry into the massacre of 42 people in Boipatong, a township near Johannesburg.

He announced that "a person of international repute" would join the Goldstone commission, which is already planning to investigate the massacre. The commission, headed by a respected South African judge, is a standing inquiry into political violence, which has already been critical of the security forces' behaviour. Mr de Klerk added that the police

would also welcome an international observer to evaluate their investigation into Boipatong.

This was the only concrete response, however, to the ANC's terms for resumption of talks which ended in deadlock last month.

Mr Nelson Mandela, the ANC president, said on Tuesday the negotiations could not resume until the government agreed to allow an international inquiry into the massacre, to prosecute security force members involved in violence, to ban the carrying of weapons in public and introduce other measures to bring peace to black townships.

In Pretoria Mr de Klerk vigorously defended the security forces against ANC allegations that they had been complicit in the Boipatong tragedy, and was strongly critical of ANC plans for

"mass action" in the form of strikes, rallies and demonstrations, saying it was an obstacle to negotiations. Describing Mr de Klerk's criticism as "indiscreet in the extreme", the ANC statement went on to renew its allegation that the "campaign of violence is aimed at preventing the people from undertaking legitimate protest".

In advance of last night's statement, the ANC yesterday called for the reimposition of the sports moratorium. In a statement signed by Mr Steve Tshwete, the ANC official instrumental in South Africa's readmission to world sport, sports bodies were asked to postpone plans for participation in international sport "until the country is firmly on a road to democracy".

Back from the brink, Page 12

Tobacco ruling gives the go-ahead to some claims

Continued from Page 1

that the defendants had failed to warn adequately about the health dangers of smoking and fraudulently misrepresented the risks - were precluded by the federal labelling law.

But they also said claims brought on other grounds such as intentional misrepresentation by the tobacco companies -

should be allowed to proceed.

The ambiguities in the ruling caused confusion on stockmarkets in London and New York. In London, shares in BAT Industries initially fell 38p but rallied later to close 26p down on the day at 731p. Rothmans International was 19p lower at 1081p.

In New York, shares in RJR Nabisco fell to \$34 at one stage, but recovered to close down \$3

at \$34. Philip Morris closed up \$4 at \$73.

Philip Morris, whose brands include Marlboro, claimed that the decision was "a significant victory". It noted the court had held that smokers cannot sue on the grounds that they were not adequately warned of the risks of smoking after the 1969 legislation had been enacted.

"While the court failed to hold

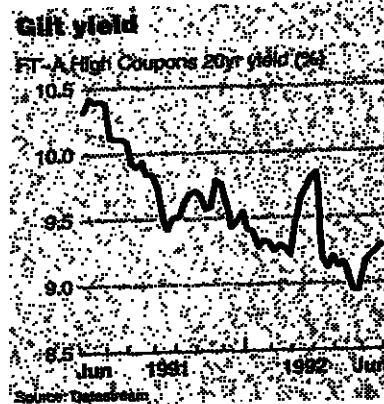
that claims based on breach of express warranties or intentional misrepresentations are precluded, this should have little practical effect on the litigation", the company said.

But Action on Smoking and Health (ASH), the Washington-based lobby group, claimed the ruling "should breathe life into some of the 60-odd smokers' suits that are still outstanding."

THE LEX COLUMN

Signals in the smoke

FT-SE Index: 2532.6 (-28.0)



The still better news for Mr Lamont is that the auction revealed continuing demand from domestic investors. Overseas buying of gilts has never been as large as expected since the election and appears to have been even more muted since Danish voters rejected the Maastricht Treaty. The 20-year maturity on yesterday's auction was never likely to appeal to foreign investors anyway, but domestic institutions clearly rose to the occasion even though this may have been at the expense of the equity market.

The gilts market may thus not have all that much to fear from the funding consequences of low growth. Confirmation that GDP fell by 0.5 per cent in the first quarter may set off another round of forecast downgrading for the year as a whole. But a weak economy with low inflation is likely to drive switching out of equities and into gilts at a pace faster than the rise in the borrowing requirement. A one percentage point decline in growth expectations for the year as a whole implies extra government borrowing of only \$4bn - less than yesterday's total bids.

Gilts

Some recent worries about government funding must have been dispelled by yesterday's £2.75bn gilts auction. Though the total was covered 1.62 times by bids - the lowest since auctions started in April last year - it was still well above worst fears. The lack of spread between the average bid yield and the highest accepted yield indicates a fairly heavy concentration of demand around the auction price. The cover ratio would only have been really worrying if a large number of bids had been below the market.

Travel industry

After Tuesday's interim figures from Airtours, yesterday's 85 per cent increase in annual profits from Hogg Robinson suggests the travel industry is springing into life. There is a danger of exaggeration, however. Hogg Robinson's results, which in any case depend more heavily on business travel than the leisure market, follow a year beset by the Gulf war and loss of commissions on holidays booked with the now defunct I.G. Airtours.

figures reveal little about the all-important summer season.

Total summer holiday bookings through May were up an estimated 30 per cent for the market as a whole, a large part of the increase simply reflecting bounce back from Gulf war weakness in 1991. Hogg Robinson says its leisure bookings are up eight per cent by volume and one per cent by price since the end of March. Airtours' market share is growing, but the question is how margins look at the end of the day. That depends on the extent of discounting during the late booking period now getting under way.

Industry estimates suggest there may be excess capacity in the market of some 200,000 to 400,000 holidays, depending on how normal take-up is defined. That is not excessive by industry standards, but it still leaves room for discounting by operators seeking to buy market share. Thomson's share of the summer package market is still some 14 points ahead of both Airtours and Owners Abroad. But at the end of May, it was also below 30 per cent, a level with which it cannot feel entirely comfortable.

Lloyd's

It is not much comfort for those members confronted by the reality of their losses at yesterday's annual meeting. But there is evidence that Lloyd's is not as fragile as the critics insist. The market's solvency has improved - as measured by the 13 per cent increase in the society's resources - and premium rates have risen over the last three months in most of the main business classes. Things may just be looking up.

Liberty

The Stewart-Liberty family and Mr Bryan Myerson of Concerto Capital Corporation arguably deserve each other. One would certainly not seek to defend non-voting shares, or even Liberty's recent trading record. But the appeal to high principle which forms part of Concerto's attempt to enfranchise Liberty shareholders - including a liberal quote from the Cadbury report on corporate governance - strikes a discordant note. Mr Myerson may make his turn one day, as he did a couple of years ago when Aquascutum sold out to the Japanese. But no one should shed any tears if he gets stymied by the Liberty family's united front and the present lack of Far Eastern interest in upmarket UK retailing.

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INTERNATIONAL COMPANIES AND FINANCE

Job cuts eclipse gain at London Electricity

By Juliet Sychrava in London

LONDON Electricity is to cut 300 of the 400 jobs in its contracting business which will halve its turnover by March 1993, the company said at its annual results meeting yesterday. It will also abandon appliance servicing, as part of a large restructuring of its non-core businesses.

This news eclipsed the company's 38 per cent increase in pre-tax profit to £142.5m (\$263.62) compared with the previous year's £103.3m (\$192.4m). In addition, Mr Andrew Curry, recruited three years ago from Currys, the electrical retailer, to mastermind retail and contracting, will leave the company. He will be succeeded by his deputy, Mr Clive Vismann. London said the restructuring of contracting would leave the trading division too small to require a main board director.

The 38 per cent increase in profits was achieved in spite of a £17m loss from contracting, including £11.4m of provisions for future redundancies.

The retail business also incurred a loss of £11.5m, in spite of a 30 per cent increase in turnover to £38m.

Mr Roger Urwin, chief executive, said retail and contracting would break even in the year to March 1993.

Losses in retail and contracting meant most of the company's £137.3m operating profit was generated by its main business, electricity distribution, which made £18.2m compared with £97.2m previously. Details, Page 22

Nobel Industries result down 31% after 4 months

By Robert Taylor in Stockholm

NOBEL Industries, the Swedish chemicals and defence group, suffered a 31 per cent drop in its profits (after financial items) to SKr136m (\$24m) in the first four months of the year from SKr197m a year earlier. Sales fell 7 per cent to SKr7.04bn from SKr7.5bn over the same period.

Profit per share (after

extraordinary items) rose to SKr5.40, from SKr4.25 for the first four months of last year. Nobel's return on capital was 7.7 per cent compared with 9.0 per cent in 1991 and its debt/equity ratio rose to 29.5 per cent from 19.5 per cent.

Mr Ove Mattsson, Nobel's chief executive, said that he expected the group would record a higher profit (after financial items) this year than 1991's SKr480m.

Kymmene still in the red

By Robert Taylor

KYMMENE, the Finnish forestry group, made a FM370m (\$87m) loss (after financial items) in the first four months of the year. This compares with a FM73m loss for the same period of 1991 and a deficit last year of FM843m.

Mr Harri Piehl, the company's chief executive officer, said Kymmene would make a "significant loss" this year but it would be "clearly less" than

in 1991. He added that earnings are expected to "have turned into profit" by the end of the year.

A gross profit of FM618m for the first four months amounted to 14.2 per cent of turnover and contrasted with a figure of FM604m for the same period of last year, or 14 per cent of turnover.

Turnover was slightly up on the first four months of 1991 to FM4.36bn from FM4.32bn a year earlier.

Reselections at seven top French state jobs

By William Dawkins in Paris

THE CHAIRMEN of seven French state-owned companies were yesterday re-appointed for fresh three-year terms by the cabinet, which also confirmed the change of leadership at Bull, the loss-making computer maker.

This concludes the first stage of a review of the top jobs in France's powerful public sector. The second round, a dozen jobs covering banking, insurance, public transport and energy supply, is due to be settled at next Wednesday's cabinet meeting.

Yesterday's reappointments include Mr Jean-Yves Haberer, the controversial chairman of the bank Crédit Lyonnais. He has been criticised for expanding too fast and making too many risky loans, but has the support of Mr Pierre Bérégovoy, the prime minister. The remaining six are the chairmen of Air France, Pechiney, the aluminium and packaging group; Elf Aquitaine in oil; the Thomson electronics group; Banque Paribas; and Anvar, the applied research agency.

Mr Bérégovoy has said he wants to make as few changes as possible in the 45 public sector jobs up for review this year. But he is expected next week to ask for chairmen of Banque Nationale de Paris, the largest government-owned bank; Electricité de France, the power utility; and Aérospatiale, the aircraft maker, to step down because they reach the statutory retirement age of 65 next year.

Other jobs expected to come up for review next week include the chairmanships of the three state-owned insurance companies, Union des Assurances de Paris, Groupe GAN and Assurances Générales de France. One or two insurers could see changes as a side-effect of the retirement of Mr René Thomas, chairman of BNP.

Sucma, the aircraft engine maker, could see a change because its current chairman, Mr Louis Galloni, is a candidate to replace Mr Henri Martre at Aérospatiale.

AMB seeks a solution to its BfG poser

David Waller looks at problems facing Germany's second largest insurer

OVER recent weeks, bankers and insurance executives have been holding secret meetings in Paris and Frankfurt.

At stake is the fate of BfG Bank, Germany's sixth-biggest private commercial bank – and ultimately the independence of Aachener und Münchener Beteiligungs (AMB), majority owner of BfG and Germany's second largest insurance group.

AMB is under siege from Assurances Générales de Paris (AGF), a state-owned French insurance company which has amassed a 25 per cent plus holding in AMB. Exploiting an arcane aspect of German company law, AMB's management has refused to register the votes attaching to the majority of the AGF stake.

Although relations between AGF and AMB are in public far from cordial, the two parties are holding behind-the-scenes talks in which the fate of the loss-making BfG Bank plays a central role.

Last week, Mr Wolf-Dieter Baumgardt, chief executive of AMB, met Mr Michel Albert, president of AGF, in Paris. Also attending the meeting were representatives of Crédit Lyonnais, the big state-owned French bank. Thereafter, high-level talks have taken place in Germany.

It is thought that AGF is trying to broker a deal whereby Crédit Lyonnais, the state-owned French bank, buys a stake in BfG.

This would suit everybody. It would remove pressure on AMB to carry on supporting its banking subsidiary.

In return for this favour, AMB management could be expected to come to a compromise over AGF's voting rights. The big French bank would gain access to the German market.

While other big German banks reported record profits for last year, the BfG parent bank announced on Tuesday that it lost DM277m (\$175.3m) in 1991, compared with a profit

of DM338m in 1990, reflecting rationalisation costs and the bank's exposure to problem country debt.

Mr Paul Wiesandt, BfG's chief executive and architect of its restructuring in recent years, has made no secret that he would welcome an international banking partner – and that the financially-strong Crédit Lyonnais would be a good choice.

For its part, AMB has made it clear that in principle it would welcome a reduction of its commitment to the bank.

AMB bought its majority stake in BfG in 1987 for DM1.9bn. The idea was to develop BfG – then known as the Bank für Gemeinwirtschaft – as a banking outlet for its insurance products. It got more than it bargained for. For a complex series of reasons, BfG soon proved to be a serious drain on AMB's resources. It was inefficient and had to engage in costly rationalisation. It had high exposure to problem sovereign debt, requiring increas-

ingly heavy provisions. It was also involved in the costly rescue of Co op, the retailer which nearly went bankrupt in 1988.

The net result is that in 1990 and 1991 AMB – together with BGAG, the trades union holding company which holds the balance of BfG shares – had to inject a total of DM1.5bn into the bank.

It seems certain that BfG requires a further capital injection, despite signs of an improvement in operating performance at the bank last year.

On Tuesday, Mr Wiesandt said that after exceptional and extraordinary costs and revenues, the parent bank made a partial operating profit – that is, excluding own-account trading results – of DM60m last year, compared with a loss of DM258m in 1990.

However, he made it clear that the bank's difficulties were not yet over, partly because further rationalisation

is required, partly because of the bank's high exposure to problem country debt. That exposure – to a total of 32 countries – stands at DM3.3bn and the intention is to increase provisions from 51 per cent of this sum at the end of last year to 60 per cent by the end of this year.

Mr Wiesandt indicated that the bank's equity capital may need a boost of at least a further DM450m, to make sure that the bank can continue to expand its lending under tougher capital adequacy rules.

Market sources suggest that the shareholders may have to inject a further DM400m, mainly to help the bank increase its provisioning.

According to Mr Wiesandt, the bank is unlikely to be able to stand entirely on its own feet until 1994.

This means that there is a considerable economic incentive for AMB to come to an agreement with Crédit Lyonnais and AGF in the months ahead.

Fondriaria tensions force board change

By Halg Simonian in Milan

GROWING differences between the two main shareholders of Fondriaria, Italy's third-biggest insurer, yesterday led to the appointment of Mr Carlo Sama as a second managing director to flank Mr Alfonso Scarpa.

Mr Sama is managing director of Montedison, the industrial group controlled by Ferruzzi Finanziaria (Ferruzzi), of which he is also deputy chairman. Ferruzzi, which used to own the majority of Fondriaria, shares control through a holding company owned jointly

with Mr Camillo De Benedetti. Under Mr Scarpa's guidance, Fondriaria has managed to steer a course through changes of ownership and the vicissitudes of the Italian market to emerge as one of Europe's most dynamic insurers.

It has drawn closer to Aachener und Münchener Beteiligungs (AMB) in Germany and Royal Insurance in the UK. Fondriaria now owns 20 per cent of AMB, while earlier this year it was a founder-member with AMB and Royal of European Partners for Insurance Co-operation, a joint venture to co-ordinate the three companies' future expansion in Europe outside their home markets.

But although Fondriaria has remained profitable, there have been growing rumours that Ferruzzi has been dissatisfied with its performance. The comments have gained credence in view of the decline in the Ferruzzi group's own financial performance.

Ferruzzi has regularly denied any plans to pull out of Fondriaria. However, the carefully-orchestrated leaks about keeping a close eye on Mr Scarpa's management, indicates a growing concern with Fondriaria's future.

Both men stressed yesterday that the appointment was harmonious. "Carlo Sama was nominated to underline the Ferruzzi group's interest in Fondriaria and scotch certain rumours about disinvesting", said Mr Scarpa.

"Ferruzzi has a very important investment in Fondriaria and it is right that there should be a manager-entrepreneur who occupies himself more directly in its running", according to Mr Sama.

BSN to sell two Italian mineral water brands

By Halg Simonian

BSN, the French foods group which sided with Nestlé of Switzerland in the battle for Perrier, is selling two Italian mineral water brands formerly owned jointly with the Agnelli family's IFIL holding company. Although worth only around

£25bn (\$21m), the deal represents a further upheaval in the European mineral water business in the wake of the Perrier takeover. Following that transaction, the European Commission expressed concern about the shares of the French mineral water market held by Nestlé and BSN.

The sale of BSN's Sangemini and Fabbia brands is not believed to be linked with the Perrier deal. Rather, BSN has now decided to concentrate on Ferrarelle and Boario, its two biggest-selling marques in Italy. Ferrarelle and Boario account for around 80 per cent of the £500bn turnover of

BSN's Italian mineral water activities, against £100bn for the two marques being sold.

Sangemini and Fabbia are being acquired by a joint venture between Terme Demaniali di Acqui, a quoted holding company, and Mr Massimo Violati, whose family controlled Sangemini until 1987.

Pirelli to sell bedding unit to Suez offshoot

PIRELLI, the loss-making Italian tyres and cables concern, yesterday announced it had agreed the first of a series of disposals aimed at lowering its debts and speeding a return to profitability, writes Halg Simonian.

The group is selling for £41.9bn (\$35m) its bedding activities, one of the seven business units in the diversified products division now up for sale. The transaction, which involves one of the smallest business units under the hammer, will realise an extraordinary gain of £25.4bn for the parent company.

The bedding business, which makes beds, mattresses and associated textile products, has a turnover of around £100bn. The disposal should ease the Pirelli group's net indebtedness by around £8bn, it said.

The business is being bought by Overseas Partners International and Eurosuez, an offshoot of the French Suez banking group.

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Total Assets	93,517	87,874	100,604
Due from Banks	32,472	32,759	36,779
Debtors and Bonds	29,940	30,315	30,462
Receivables from Non-Bank Clients	28,132	22,524	30,148
Fixed Assets	248	239	136
Deposits by Banks	58,818	55,885	62,680
Deposits by Non-Bank Clients	4,373	3,474	6,838
Own Debentures in Circulation	26,149	25,647	26,762
Capital, Shareholders' Loans and Reserves	1,346	1,290	1,435
Net Interest and Commission Income	282	215	327
Personnel and other Expenses	94	83	100
Taxes	54	64	57
Net Profit	33	30	41



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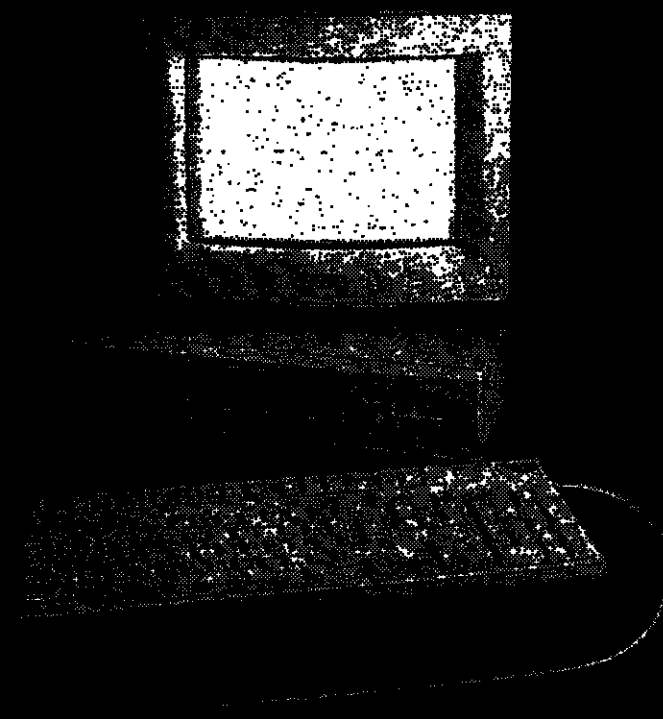
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INTERNATIONAL COMPANIES AND FINANCE

Toshiba pulls the plug on audio equipment business

Stefan Wagstyl examines the challenge the Japanese group is facing as a new president takes over

TOSHIBA, the Japanese electronics combine, has discreetly pulled out of making radio-cassettes, compact disc players and other kinds of audio equipment.

No factories have been closed or jobs cut. The operations have been quietly subsumed into the group's television and video products business. Nevertheless, a famous name has disappeared from hi-fi stores the world over.

Toshiba's move out of audio is a sign of the way in which even the largest Japanese groups are being forced to respond to a worldwide recession in the electronics industry and a sharp increase in the cost of capital.

Moreover, Toshiba, which operates in information processing and power engineering as well as consumer electronics, has been hit particularly hard by the rapid onset of technological change in the computer and semiconductor industries. In the late 1980s, it reaped bumper profits from pioneering new ranges of memory chips and portable computers. Today, it is under pressure in both markets.

Toshiba still prides itself in a wide product range, high research and development spending, and its technological prowess. But these boasts are hedged by a new-found concern for husbanding resources, particularly capital.

"Our basic philosophy is to meet the needs of the people," says Mr Fumio Sato, who takes over as president tomorrow. "However, before we used to make anything that would sell."

Now we must consider quality. That means, among other things, our profit margins."

Mr Sato, a softly-spoken mechanical engineer, was chosen by a group of senior directors headed by the outgoing president, Mr Jolchi Aoi. He plans to develop his predecessor's strategies rather than make any radical breaks with the past. Yet he believes that, over time, companies must "evolve structurally in order to avoid becoming out-of-date".

Toshiba's move out of audio is a sign of the way in which even the largest Japanese groups are being forced to respond to a worldwide recession

This challenge is particularly urgent today. After growing rapidly in the late 1980s, Toshiba faces stagnant sales and falling profits, while the need to keep pace with technological innovation demands greater investment. The group's consolidated profits fell in the year to March by 44 per cent, and sales were flat. The current year is unlikely to be much better.

Toshiba is trimming consolidated capital investment and research and development spending by a few percentage points to ¥480bn and ¥310bn respectively - but is not planning any large cuts.

Mr Sato says that following the decline in the Tokyo stock market, the company's cost of capital has risen, so greater attention is being paid to increasing capital efficiency. He gives the example of the clean room, the building where the critical stages of making semiconductors are carried out in an ultra-pure atmosphere. Building clean rooms is so expensive that Toshiba is examining ways of cramming more machines into a smaller

TOSHIBA Consolidated figures, year to March 1992				
	Sales (¥bn)	% change	Operating profit (¥bn)	% change
Information technology	2,501	-1	55.2	-70
Power engineering	1,063	5	48.1	33
Consumer electronics	1,548	5	16.2	-25

space inside the clean room, for example by removing control panels and housing them outside the clean room.

Cutting costs by pulling out of a business, as with audio, is a last resort. The company prefers to move production overseas, particularly in Asian countries where labour costs are low. If necessary, production can be transferred entirely to local partners.

This policy is unaffected by the recession in the industry, even though Toshiba has cut the Japanese parent company's capital investment budget for this year by 25 per cent, the group total, including overseas subsidiaries, is down by just 1 per cent.

Mr Sato believes Toshiba's future rests firmly in computer and semiconductor manufac-

ture, which account for about half the group's sales.

However, he acknowledges the group faces serious problems. In semiconductor manufacture, Toshiba, like other Japanese makers, is losing money, since prices for memory chips have plunged due to weak demand and intense competition.

This is in sharp contrast to the late 1980s when Toshiba stole a march on the rest of the industry by pioneering the

Mr Sato believes that to stay abreast of technological change Toshiba must seek partners - as well as continuing to invest heavily in its own R and D. Yesterday, the group announced a venture with Apple, the US computer maker, for the joint development of multi-media products which combine computing, television and audio technology.

Toshiba faces stagnant sales and falling profits, while the need to keep pace with technological innovation demands greater investment

colour liquid crystal displays for computers. It is considering a second agreement with IBM for the joint development and production of flash memories - a new generation microchip which could replace the hard disk memory.

These partnerships are not restricted to hardware. Last year, Toshiba paid \$500m for a 6.25 per cent stake in the film and television interests of Time Warner, the US entertainment conglomerate. Toshiba also took a 25 per cent stake in Time Warner Enterprises Japan, a Tokyo-based company which will control Time Warner's

Japanese businesses.

The complex structure of the deal reflects Toshiba's innate caution, as does the relatively small size of the investment, which pales in comparison with the multi-billion dollar acquisitions of Hollywood film and television companies made by Sony and Matsushita Electric Industrial.

Mr Sato says modestly that consumer electronics is a business about which he still knows quite little. It is clear that his interests lie in the solid virtues of engineering rather than the capricious delights of Hollywood. Last year he served as the president of the Japan Society of Mechanical Engineers. Among the society's main concerns was recruiting enough young Japanese into engineering.

To the chagrin of industry, many engineering graduates turned their backs on manufacturing in the late 1980s for the high salaries of financial services. However, Mr Sato, says that more recently young people seem to be changing their minds. "The collapse of the bubble economy has led young people to re-evaluate the merits of manufacturing."

Manufacturing is very dear to Mr Sato. He is convinced that, even though the current downturn in the Japanese economy is severe, recovery will come eventually because Japanese industry retains its international competitiveness in manufacturing. "As far as manufacturing is concerned, Japan will stay in a strong position for some time to come."

Iranian government buys stake in east German tyre factory

By Leslie Collett in Berlin

THE IRANIAN government has acquired a major stake in the main production plant of Pneumant, eastern Germany's largest tyre company.

Iran has bought 40 per cent of the factory at Fürstenwalde, east of Berlin, with the remaining interest sold to a management-employee buy-out and to other German investors. The disposal by the Treuhänder, the German privatisation agency, was for an undisclosed sum.

Iran has guaranteed purchase of the basic output of the factory over the next 12 months, while additional production will be sold to "untied" European tyre dealers.

Pneumant has also concluded a consulting agreement with Iran which has several old tyre factories which are to be modernised. Loss-making Pneumant, which also has large factories in Dresden and Riesa, which are to be sold separately, had turnover last year of DM180m (\$113.9m) and roughly one-fifth the output of Continental, Germany's largest tyre maker.

Continental co-operated closely with Pneumant last year and expressed strong interest in buying the east German producer. However, Continental's interest weakened and Pneumant, which suffered heavy losses when the former Soviet market broke away, was placed in liquidation last September.

An industry observer said the west German tyre giant wanted to make sure Pneumant did not fall into the hands of a competitor before abandoning it.

The deal with Iran will secure 800 jobs over the longer term, the Treuhänder said. Pneumant had 3,830 employees at Fürstenwalde last September which has been cut to 1,971. Pneumant's factory in Riesa is to be sold this year and a plant in Dresden next year.

US auto industry 'may falter in fourth quarter'

By Barbara Durr in Chicago

FIRST Chicago, the leading midwest regional bank, expects over-ambitious third-quarter production schedules in the auto industry to increase the risk of the US economy petering out in the fourth quarter.

First Chicago said that the auto industry, a pillar of the US economy, could provide a repeat of America's disappointing 1991 economic performance.

Last year, the industry, whose production is concentrated in the midwest, led an incipient recovery then badly faltered in the fourth quarter, prolonging the recession.

Despite lacklustre selling rates, the industry's third-quarter production is scheduled to rise by 15.5 per cent from the second quarter to a 11.8m monthly rate, its highest level for the three years.

Sales, including imports, last month reached 12.7m. This represented a recovery from their trough of a 11.2m monthly rate at the start of the Gulf war, but was still below the 1990 peak.

While the boost in production may add more than 1.5 percentage points to the US real GDP for the next quarter, the bank said, "the auto industry could place a drag on growth in the fourth quarter."

It noted, however, that automakers might yet trim their production schedules more realistically for the third quarter.

On the bright side, the bank said the market share of US-based car manufacturers, including Japanese cars made in the US, had risen to 83 per cent from 78 per cent between May 1991 and May 1992.

Taiwanese airline gains funding to buy aircraft

TAIWAN'S central bank has agreed to provide US\$750m to help fund purchases of aircraft by EVA Airways, the island's second international airline, Reuter reports from Taipei.

A central bank official said the loan was the largest made from \$10bn of foreign currency reserves which the bank set aside in February to finance major economic projects and overseas investment by local companies.

The \$750m will be lent to a consortium of 15 local banks, headed by state-owned Chiao Tung Bank, which

agreed to a 12-year loan of US\$1.05bn to EVA earlier this year.

EVA, set up last July by the Evergreen Group, the container shipping operator, will use the loan to buy four Boeing 767s, eight Boeing 747s and six McDonnell Douglas MD-11s that it has already ordered. All are to be delivered by 1995.

The airline flies five jets to eight destinations, most in south-east Asia.

It will start flying to the US at the end of the year and hopes to start flights to Vietnam and Australia.

Australian housing loans group prepares for stock exchange listing

ST GEORGE Building Society, Australia's largest housing loans group, yesterday unveiled taxable profits for the 11 months to end-April of A\$44.49m (US\$33.4m), compared with A\$45.82m for the full year to May 31 1991, Reuter reports from Sydney.

St George said it was issuing the results to ensure an informed market before its Australian Stock Exchange listing on July 2. It will change its status to a bank on July 1.

"The directors believe that, subject to completion of the audit process, the group operating profit after tax and extraordinary items for the year ended May 31 1992 will not be less than A\$48m," St George said.

The profit was before a A\$3m extraordinary loss relating to the cost of converting to bank status. St George said the figure represented annualised earnings per share of 45.2 cents, against 45.0 cents previously.

Assets were A\$9.3bn at April 30, up 2.2 per cent from the end of the previous year. Net tangible assets were A\$4 for each of the society's 109.1m shares, against A\$3.83.

St George will still focus on residential lending and retail deposits, and it intends expanding its network in Victoria and Queensland.

St George said that, while the operating environment had been difficult, it looked forward to more favourable trading conditions with the

recovery of the economy and business and consumer confidence.

"The directors expect there will be opportunities for St George to increase its home and consumer lending receivables, and believe that St George is well placed to meet the competitive challenges of the banking environment," it said.

St George said it has a capital adequacy ratio of 10.5 per cent, above the Reserve Bank minimum of 8 per cent.

Mount Charlotte debts restructured by Brierley

BRIERLEY Investments, the New Zealand investment company, has restructured the debts of Mount Charlotte Investments, its 70 per cent owned British hotels subsidiary, by subscribing to an issue by Mt Charlotte of \$150m of convertible notes, AP-DJ reports from Wellington.

Government of Singapore Investment and Temasek Holdings, two investment agencies of the Singapore government which own the remaining 30 per cent of Mt Charlotte, also subscribed.

Mr Paul Collins, chairman of Mt Charlotte and chief executive of Brierley, said the debt restructuring had secured the company's finances.

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Exchange	Chicago Time	GMT*
Chicago Mercantile Exchange		
Regular Trading Hours	7:20am-2:00pm	1320-2000
GLOBEX Trading Hours	6:00pm-6:00am	2400-1200
Chicago Board of Trade		
Regular Day Trading Hours	7:20am-2:00pm	1320-2000
Regular Night Trading Hours	6:20pm-9:05pm	2420-0305
GLOBEX Trading Hours	10:30pm-6:00am	0430-1200

*Greenwich Mean Time

Futures and options currently trading are the CME's Deutschmark, Japanese yen, Mark/yen and the CBOT's 10-year U.S. T-note. Shortly, more currency and interest rate contracts will be phased in, followed by the

addition of the two most actively traded interest rate contracts in the world - the CBOT's Treasury bond and the CME's Eurodollar. Early next year, MATIF contracts will be added. And over time, more contracts from exchanges on other continents will follow.

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Dated 25 June, 1992.

BANQUE INDOSUEZ GROUP

INTL COMPANIES AND CAPITAL MARKETS

Compromise proposed on EC investment services

By Andrew Hill in Brussels

THE CREATION of a single EC market in securities trading moved a step closer yesterday with the release of a new compromise proposal on the investment services directive.

Spurred on by the recent accord on capital adequacy standards for EC banks and securities firms, the Portuguese - who hold the EC presidency until next week - have suggested a way to bridge the gap between feuding French and British camps on the key issue of how quickly off-market share transactions should be made public.

Finance ministers will be asked to consider the Portuguese plan when they meet on Monday in Luxembourg.

Britain and Germany are against immediate or rapid dis-

closure of trades, which would leave their market-makers exposed whenever a large trade went through the system. France and the southern countries are broadly in favour of more transparency which would have a less drastic effect on their order-driven markets.

The Portuguese plan would involve a rolling system averaging out information about prices and volume over six hours and delaying publication for two more hours. "This will ensure that market anonymity is respected and market liquidity looked after," said a European Commission official.

Transparency is the most important of several issues which have been holding up the investment services directive since 1990, despite several rounds of intensive ministerial and expert negotiations. The

aim is to allow investment companies to trade throughout the EC after 1992. "If we sort this one out the rest more or less clicks into place," said the same Commission official.

Earlier arguments about whether banks should be allowed direct access to stock markets - a proposal resisted by Spain and Portugal - have now been reduced to a debate over when direct access should be granted. But there is still a question mark over how France will react to the Portuguese proposals.

At Monday's meeting finance ministers are expected to reach a formal common position on the capital adequacy directive, the broad lines of which were agreed two weeks ago. Negotiations over the last fortnight aimed to have ironed out the outstanding technical difficulties.

Shearson fined in ConAgra stock case

By Patrick Harverson in New York

SHEARSON Lehman Brothers, the Wall Street brokerage house, yesterday paid a \$500,000 fine to the New York Stock Exchange in connection with an alleged case of stock manipulation in 1990.

Mr Peter DePuzzo, the brokerage's former co-head of equity trading, paid an additional penalty of \$100,000.

Both Mr DePuzzo, an equity trader and a well-known figure on Wall Street, and Shearson, accepted - without admitting or denying guilt - the NYSE's findings that in November 1990 they improperly influenced the share price of ConAgra, the food and agricultural products group. Their actions, the NYSE alleged, made a stock offering that Shearson was handling the next day less costly for the buying house.

According to the NYSE, Shearson's trading desk in New York, which was run by Mr DePuzzo, instigated a last-minute trade in ConAgra shares on the Pacific Stock Exchange in San Francisco at the price of \$33.

The order changed the closing price of ConAgra from \$33 - the last reported trade on the NYSE - to \$33.50, the price at which Shearson had previously arranged to sell the 4.4m ordinary stock offering to investors on the following day.

As a result of the last-minute San Francisco trade, which violated NYSE rules against artificially influencing a stock price before a public offering, ConAgra received \$550,000 less from its stock issue than if the price had not been manipulated. Prior to yesterday's settlement, Shearson made up that loss to ConAgra.

Mr DePuzzo said yesterday: "I agreed to settle with the New York Stock Exchange because it was quickly becoming prohibitively expensive in terms of money and time for me to continue defending myself."

He also announced that he had retired from Shearson after more than 30 years with the company, and had joined Steinhardt Partners, a leading Wall Street money management firm.

Mr Manny Geronimos, the senior Shearson stock trader working with Mr DePuzzo at the time of the alleged stock manipulation, also agreed to a settlement with the NYSE. Mr Geronimos received a censure and was temporarily suspended from the securities industry.

Euromobiliare chief to step down

By Haig Simonian in Milan

MR Guido Roberto Vitale, the managing director of Euromobiliare, the Italian merchant bank now controlled by Midland Bank of the UK, is to step down at the end of September.

No direct successor has been named. However, Mr Sencar Tokar, European managing director of Midland Montagu, the UK bank's investment banking arm, is to become chairman of Euromobiliare's executive committee, which effectively runs the company.

Euromobiliare also announced yesterday that it is spending \$300m (\$35.3m) to buy Cofimedit, an investment management subsidiary of the Fondiaria insurance group, which currently has around £1,000m in funds under management.

Mr Vitale, one of the found-

ers of Euromobiliare in 1973, was one of the leading figures in the liberalisation of Italian merchant banking in the mid-1980s. Under his guidance, the bank conducted a series of daring deals which challenged the monopoly of the country's most established financial institutions.

However, Euromobiliare has suffered badly from the more difficult trading conditions of the past two years. Mergers and acquisitions have declined, while profits from equity activities have slumped.

Those factors, plus heavy write-downs on a stake in the VM motors company in which Euromobiliare led a management buy-out in 1989, contributed to a £976m group loss last year against net profits of £8.5bn in 1990.

The figures, along with Mid-

land's assumption of a majority stake and suggestions that Mr Vitale himself was being may have prompted yesterday's decision. However, Mr Vitale will remain on the board as a director.

Euromobiliare said acquiring Cofimedit would substantially reinforce its existing fund management activities. The company has three regional offices apart from its Florence base, and it should allow the bank substantially to improve its coverage in retail fund management.

According to Euromobiliare, the acquisition marked one of a number of initiatives now being taken to "re-launch" the bank, which would seek to concentrate on its core businesses of fund management, investment banking and corporate finance and securities trading.

Brady backs stock-index futures bill

By Barbara Durr in Chicago

MOVES by three US stock exchanges to lower margin requirements on stock index futures have reignited a simmering controversy over the regulation of such contracts.

Mr Nicholas Brady, the US secretary of the treasury, who contends that stock index futures increase stock market volatility, has stepped back into the fray to urge Congress to pass legislation granting the Federal Reserve authority over stock index futures margins. The legislation has been languishing for more than a year.

The Chicago Mercantile Exchange, which trades the widely-used Standard & Poor's 500 stock index future, and the



Brady supports regulation of margin requirements

Chicago Board of Trade, which trades a Major Market Index future, recently lowered their initial margin requirements for such contracts. The New York

Futures Exchange, a wholly-owned subsidiary of the New York Stock Exchange, which trades a NYSE Composite Index, lowered its margin requirements last month. The exchanges argue that stock index futures margins are too high and that lowering them will not increase volatility.

However, a number of influential senators are pressing for reform. They say it would take only a single day of big losses - paired with lowered futures margins - "to reignite public controversies similar to those of 1987 and 1989." The senators have urged the Commodity Futures Trading Commission, the futures industry regulator, to determine if current margin levels are adequate.

SEC plans revision of proxy battle rules

By Patrick Harverson

NEW rules making it easier for shareholders in US companies to challenge management during proxy battles and forcing corporations to disclose more information about executive pay have been proposed by the Securities and Exchange Commission.

The proposals, which were unanimously approved by the SEC's four commissioners at a meeting in Washington, are part of a campaign by the US watchdog to give shareholders more say in the management of companies.

The new rules will not come into effect until the SEC has received comments on its proposals from the public and corporations.

On the proxy issue, the SEC's plan is to simplify the disclosure requirements imposed on shareholders when they discuss in writing how they might vote in an annual meeting.

At present, a shareholder needs prior approval from the SEC when communicating in writing with more than 10 other shareholders.

Oral discussions between shareholders would be exempt from any type of filing. The SEC also proposed that big shareholders should be allowed to include a criticism of a company's performance in their proxy statements.

In the past, US corporations have been against the easing of proxy rules, arguing that it would allow big institutions to

organise opposition to management in secret. The SEC first proposed altering its proxy rules in June 1991, but the watchdog was forced to tone down the substance of some of the changes after receiving more than 900 comment letters, many of them hostile to the proposals.

Business groups are likely to express their dissatisfaction with the new rules during the public comment period. The SEC, however, is determined to make life easier for dissident shareholders who want to challenge the way companies are being run.

Mr Richard Breiden, the commission's chairman, said yesterday that he would like to see the changes take effect in time for the 1993 proxy season.

Under the proposed rules on executive pay, companies would be required to provide shareholders with clear information on what executives are earning, laid out in chart form rather than in pages of dense text.

Management would also be forced to show how executive pay relates to company performance, and how it compares with the performance of similar companies.

The United Shareholders Association, a Washington-based pressure group, welcomed the proposals. Mr Ralph Whitworth, president, said: "The SEC's proposals will usher in a new era of activist ownership to help reinvigorate the competitiveness of American corporations."

Bombardier forecasts profits improvement

By Robert Gibbons in Montreal

BOMBARDIER, the Canadian-based aerospace and transit equipment group, has predicted that higher aircraft deliveries would bring improved profits this year.

Bombardier's total backlog of firm orders had reached C\$6.2bn (US\$5.21bn) and will approach C\$7bn by year-end, Mr Laurent Beaudoin, chairman, said. The backlog would approach C\$8bn in a year. About two-thirds of the total is for aerospace products.

In the first quarter to the end of April, Bombardier earned C\$32.7m, or 21 cents a share, up 25 per cent from a year earlier. Sales for the period were C\$938m, against C\$658m in the same period last year. The latest results include contributions by two recent acquisitions.

Mr Beaudoin would not comment on analysts' estimates that earnings for fiscal 1993 would be between 90 cents and 95 cents a share. However, he said he expected the group's results to show an improve-

ment over fiscal 1992 figures. The chairman said defence products accounted for only 10 per cent of Bombardier's C\$4bn annual sales. But missile and surveillance systems developed by its Short Brothers and Canadian units were projects with a long-term future, he added.

In civil aircraft development, a Bombardier engineering-marketing team is currently working on the 70-passenger regional aircraft. Mr Beaudoin said the model would be lighter than the proposed Fokker 70 and that it was designed for a move specialised market. About 20 potential customers have put down deposits for the Global Express super business jet now being studied as a derivative of the 50-passenger regional jet.

Learjet, the Kansas-based aircraft subsidiary, was offering a new model against the backdrop of a business jet market which was showing signs of recovery in spite of the persistent recession, Mr Beaudoin said.

Bombardier stock has been weak recently because of prob-



Laurent Beaudoin: defence accounts for only 10% of sales

lems with its Belgian transit equipment unit; speculation over aircraft certification delays; and lay-off notices at Short Brothers of Northern Ireland.

The company blamed the recent 90-day lay-off on the winding-up of two older aircraft programmes, foreseen when Bombardier bought the unit in 1989.

Bombardier has reorganised its British, French and Belgian

rail equipment units into a new holding company, Euro-rail, which will continue to be financed by the parent in Montreal. BN, the Belgian unit, is expected to return to profitability by year-end after a reorganisation.

"Despite many design changes and technological problems, we're pushing to deliver the first Channel Tunnel rail set by year-end. Only then can we get some idea of the margin we may make on the total C\$650m rail car order," Mr Beaudoin added.

Bombardier's UTC unit in Ontario is negotiating a C\$300m underground rail order with the city of Toronto.

Bombardier's contracts to develop new generation underground trains for New York and Paris have reached the evaluation stage. A prototype nine-car train set is scheduled for delivery to New York this summer, and Bombardier's ANP unit in France will deliver a similar set of prototypes to the Paris transit system this autumn. Eight pre-production sets will follow next year.

All of these securities having been sold, this advertisement appears as a matter of record only.



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June, 1992

Prices for electricity delivered for the purpose of the electricity trading and settlement arrangements in England and Wales.

Delivered Price for Peak Periods by Trading Unit (in £/MWh)

Trading Unit	Delivered Price	Delivered Price	Delivered Price
1/2 hour	18.75	18.75	20.45
1 hour	18.75	18.75	20.45
2 hours	18.75	18.75	20.45
3 hours	18.75	18.75	20.45
4 hours	18.75	18.75	20.45
5 hours	18.75	18.75	20.45
6 hours	18.75	18.75	20.45
7 hours	18.75	18.75	20.45
8 hours	18.75	18.75	20.45
9 hours	18.75	18.75	20.45
10 hours	18.75	18.75	20.45
11 hours	18.75	18.75	20.45
12 hours	18.75	18.75	20.45
13 hours	18.75	18.75	20.45
14 hours	18.75	18.75	20.45
15 hours	18.75	18.75	20.45
16 hours	18.75	18.75	20.45
17 hours	18.75	18.75	20.45
18 hours	18.75	18.75	20.45
19 hours	18.75	18.75	20.45
20 hours	18.75	18.75	20.45
21 hours	18.75	18.75	20.45
22 hours	18.75	18.75	20.45
23 hours	18.75	18.75	20.45
24 hours	18.75	18.75	20.45

Prices are determined for the trading unit in which the electricity is traded. Prices are determined for the trading unit in which the electricity is traded. Prices are determined for the trading unit in which the electricity is traded.

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In accordance with the provisions of the Notes, notice is hereby given that for the interest period from June 23, 1992 to December 23, 1992 the Notes will carry an interest rate of 10.20125% per annum. The interest payable on the relevant interest payment date, December 23, 1992 will be £51.01 per £1,000 principal amount and £255.03 per £5,000 principal amount.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank



June 25, 1992

DAIMLERBENZ

Dividend Announcement

Our 96th Shareholders' Meeting resolved on June 24, 1992, to pay for the 1991 financial year a dividend of DM 13 from the unappropriated profit of DM 605.4 million on each eligible ordinary share of DM 50 par value.

The dividend will be paid after deduction of 26.875% withholding tax (consisting of 25% capital-yields tax and 7.5% unification surcharge) against submission of Dividend Coupon No. 57, commencing June 25, 1992, at any of the paying agents named in issue 115 of the Federal Gazette (Bundesanzeiger) of June 25, 1992.

In the United Kingdom, payment will be made by Deutsche Bank AG, London Branch.

Under the conditions provided by the English-German Double Taxation Agreement of November 26, 1964, amended by the protocol dated March 23, 1970, the German withholding tax will be reduced to 15% for shareholders resident in the United Kingdom. To claim the refund, shareholders are required to submit an application for refund by December 31, 1996 at the latest. This application is to be addressed to the Bundesamt fuer Finanzen, Friedhofstrasse 1, D-5300 Bonn 3.

Payment in the United Kingdom will be made in Pounds Sterling converted from D-marks at the exchange rate prevailing on the day the dividend coupons are submitted.

Stuttgart-Möhringen, June 25, 1992

Daimler-Benz AG
The Board of Management

INTERNATIONAL CAPITAL MARKETS

SocGen in move to revive TME index

By Tracy Corrigan in Paris

SOCIÉTÉ Générale, the French bank, has launched an unusual domestic bond issue linked to a French government bond index, in an attempt to revive interest in the moribund index.

The issue is designed to provide a straightforward yield curve play for investors who take the view that the French yield curve - which is currently inverted - is set to shift to a positive shape.

Société Générale hopes to restore interest in the index - the *Taux Moyen D'Etat* (TME) - on long-dated government bonds. After a period in vogue in the late 1980s, the market in bonds linked to the TME collapsed as the yield curve became more inverted.

The FF1.5bn 10-year issue pays interest of 60 basis points above the TME index. The deal met with strong demand, particularly from French insurance companies, according to Société Générale.

It was also boosted by the French Treasury's announcement last Friday of an exchange programme under which some existing bonds linked to the TME index will be redeemed.

Société Générale believes that the projected shift in the French yield curve will be mirrored in other European markets. It plans to create indices similar to the French TME index on other European government bond markets.

The bank plans to launch products linked to these new indices. "We plan to export this idea to Europe," said Mr Antoine Paille, director of options at the bank.

Tomorrow, Société Générale will launch a FF300m to FF500m 10-year Eurobond. The bond will pay TME plus 20 basis points, with a floor at 7.5 per cent. But if the TME reaches 11 per cent, the floor disappears.

In addition to bond issues, the bank is to start making markets in caps and floors (options with upper and lower limits) on the TME.

Domestic institutions spur Bank's gilt auction to success

By Sara Webb in London and Patrick Harverson in New York

UK GOVERNMENT bonds rallied following the success of the Bank of England's £2.75bn gilt auction yesterday, its largest auction of UK government debt.

GOVERNMENT BONDS

Dealers reported strong demand from domestic institutions for the latest auction stock - 9 per cent Treasury due 2012 - whereas overseas investors largely stayed away because of concern about the prospects for convergence of European interest rates and lack of interest in long-dated issues.

Bids amounted to \$4.45bn, giving a bid-to-cover ratio of 1.62. The ratios on the Bank's previous auctions have ranged from 1.82 to 2.28, but dealers pointed out that the low cover

ratio at yesterday's auction still compared "reasonably favourably" with previous auctions given the large amount of debt being sold.

The lowest accepted price was 98.31, yielding 9.11 per cent, while the highest accepted price was 98.02, yielding 9.10 per cent.

"The auction generally went much better than some people had expected", said one dealer, adding that the long end of the gilt market bounced after the auction results emerged. The benchmark 11% per cent gilt due 2003/07 rose from 115 1/2 at the opening to trade at 115 3/4 by late afternoon. Turnover in the futures market reached over 60,000 contracts with the Liffe gilt contract rising from 97.11 to 97.24.

EUROPE'S main government bond markets ended the day slightly higher, helped chiefly by the rally in the US Treasury bond market.

The German government bond market opened on a weak

note, following the release on Tuesday of worse-than-expected M3 money supply data for May which has wiped out hopes of a cut in interest rates by the end of the year. The bund futures contract tested the important support level of 87.60, falling to 87.52, but ended at around 87.59 on a volume of over 40,000 contracts.

News that consumer prices in North Rhine Westphalia rose by 0.2 per cent in the month to mid-June and by 4.3 per cent from June 1991 had little impact on the market as the figures were in line with expectations.

The French government bond market closed on a firmer note, helped by the US Treasury bond rally and news that a decision is likely to be taken next week to set the date of the French referendum on ratification of the Maastricht Treaty.

Speculation about the date of the referendum and news last Friday of a large bond exchange programme by the French Treasury led to some

weakness in the French market recently. The 8 1/4 per cent bond due 2023 ended with a yield of 8.78 per cent, against its opening of 8.81 per cent.

US Treasury prices firmed at both ends of the market yesterday in the wake of an unexpected drop in May durable goods orders and a successful five-year note auction.

In late trading the benchmark 30-year government bond was up 1/4 at 101 1/8, yielding 7.82 per cent. The two-year note was also higher, up 1/4 at 100 1/4, yielding 4.96 per cent.

Prices rose when the Commerce Department announced that durable goods orders fell 2.4 per cent in May. The decline in orders was broadly based, and contrasted with the 0.6 per cent increase expected by economists. The most worrying aspect of the figures, said analysts, was the ninth consecutive decline in order backlog, which suggests that manufacturers are unlikely to boost production in the near future.

The durable goods numbers immediately sparked speculation that the Federal Reserve will cut interest rates again. Sentiment was helped by yet another call for lower rates from the White House. In an interview with the New York Times, President George Bush said he would like to see another monetary policy easing, and that fears of higher inflation did not justify keeping interest rates unchanged.

Prices received a further boost later in day when the Treasury's auction of \$10.5bn in five-year notes met strong demand from retail investors, with demand exceeding supply by almost three to one.

JAPANESE government bond prices closed higher, helped by a 10-year bond auction and a pick-up in buying interest in the debt market as the Nikkei stock index fell through the 16,000 level.

The Finance Ministry sold ¥473.67bn of a ¥800bn new 10-year bond issue at auction yesterday.

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week Ago	Month Ago
AUSTRALIA	10.000	10/02	107.7179	-0.072	8.24	8.29	8.11
BELGIUM	8.000	06/01	100.3800		8.04	8.09	8.30
CANADA	8.500	04/02	102.3800	+0.500	8.15	8.20	8.30
DENMARK	8.000	11/00	98.2000	+0.080	8.12	8.11	8.79
FRANCE	8.500	03/97	97.9379	+0.074	8.03	8.05	8.87
FRANCE	8.500	11/02	97.5800	+0.185	8.79	8.72	8.48
GERMANY	8.000	01/02	98.7500	+0.030	8.02	7.96	7.93
ITALY	12.000	08/02	95.5900	-0.370	13.01	13.22	12.57
JAPAN	4.500	09/98	95.0400		5.59	5.63	5.73
JAPAN	4.400	03/00	105.8628	+0.317	5.35	5.41	5.50
NETHERLANDS	8.250	02/02	96.4400	+0.030	8.32	8.36	8.30
SPAIN	11.500	01/02	96.1000	+0.150	11.42	11.56	10.88
UK GILTS	10.000	11/98	102.19	+0.152	9.27	9.19	9.10
UK GILTS	8.500	08/02	105.11	+0.026	8.25	8.16	8.85
UK GILTS	8.000	10/98	99.11	+0.132	9.10	9.02	8.79
US TREASURY	7.500	05/02	102.02	+0.0732	7.20	7.21	7.25
US TREASURY	8.000	11/21	101.30	+0.0632	7.25	7.22	7.51
ECU (French Gov)	8.500	03/02	97.1000	+0.230	8.05	8.08	8.57

London close "New York close"
* Gross annual yield (including withholding tax at 2.5 per cent payable by non-residents)
Prices: US, UK in 32nds, others in decimal Technical Data/ATLAS Price Sources

terday. The new No 149 issue has a coupon of 5.5 per cent, and was sold at an average price of 99.64 to yield 5.566 per cent.

Dealers reported some hedge-selling in the morning as sup-

ply concerns weighed on the market, but as the Nikkei index dropped, ending the day 253.32 points lower at 15,553.67, traders noted renewed buying interest. See Lex

Depressed conditions keep borrowers away

By Simon London

NEW ISSUE activity in the international bond market ground almost to a halt yesterday, with depressed conditions in most European markets and poor currency swap opportunities keeping potential borrowers away.

INTERNATIONAL BONDS

General Electric Capital Corporation, the financing arm of the US industrial group, added C\$50m to its C\$100m five-year issue launched last week. The 8 per cent bonds were re-offered to investors at a fixed price of 99.80, against 99.95 last week.

The issue was made under GECC's medium-term note programme and carries no independent documentation. Using the MTN structure cuts issuing costs for the borrower.

Following the recent pattern for larger MTN issues, the bonds were fully underwritten by the dealers to the programme, lead-managed by Kidder Peabody. Other than the

documentation, the issue was little different from a conventional syndicated Eurobond issue.

Elsewhere, syndicate officials said the European Investment Bank was hoping to raise funds in both the French franc and Italian lira sectors. Both sectors have suffered in the aftermath of Denmark's rejection of the Maastricht Treaty on June 2.

However, while French franc bonds are supported by strong domestic economic fundamentals - yesterday CAR, the state-backed financing agency, successfully added FF1bn to an existing domestic issue - the lira bond market remains volatile. Bankers said yesterday that the EIB may find it difficult to assemble an under-

writing group for a lira bond issue.

Against this, the EIB has shown itself willing to compromise to promote favoured sectors of the Euro market.

For example, its Ecu350m 10-year deal launched on Monday was priced to yield 12 basis points more than French government Ecu paper, with full fees paid to underwriters. Before the Danish vote, the EIB borrowed in Ecu at a yield spread of just 4 basis points - with underwriters offered minimal fees.

Swiss franc bonds issued by Heron, the UK property company which is negotiating a debt restructuring with bank creditors, resumed trading having been temporarily suspended trading on stock

exchanges in Switzerland.

The bonds now trade "flat". Investors no longer pay accrued interest when purchasing bonds. There are no interest payments due until November, by which time Heron hopes to have presented restructuring proposals to bondholders. The bonds reflect that further interest payments are unlikely to be made.

Dealers quoted Heron's six outstanding Swiss franc issues at around 20 per cent of face value yesterday, for yields of 40 to 50 per cent. However, there was little or no dealing activity in the stock.

Heron has continued to service bonds issued in other currencies. On Monday, it met an interest payment on a \$100m floating-rate note issue.

Japan may ease rules on shelf registration

JAPAN'S Ministry of Finance may ease the regulations on shelf registration for domestic bond issuers, Reuter reports from Tokyo.

The MoF is considering making credit ratings a criterion, allowing companies with a single-A rating or better to make a shelf registration. It may also lower quantitative hurdles for other borrowers, the official said.

Securities companies last November urged the MoF to take such moves because the Tokyo stock market slump has slashed the pool of firms eligible to make shelf registrations, a brokerage official said.

The MoF introduced the shelf registration system in October 1988, shortening the period between initial registration and bond issuance to less than a week from several weeks.

Brokerage officials said the MoF's decision on the deregulation is likely to be made as early as July, but the MoF official declined to comment on the timing.

Investors get ready to deal in HSBC securities

By Simon London

INVESTORS in the UK equity and bond markets are preparing to trade in securities issued by Hongkong and Shanghai Banking Corporation, ahead of today's final closing date of its offer for Midland Bank.

Liffe, the London futures and options exchange, said yesterday it would launch an equity option on HSBC shares if the offer for Midland was declared unconditional.

HSBC has said that it would list sterling-denominated shares on the London Stock Exchange if the offer went through. The merged bank is likely to be in the top 20 UK companies ranked by market capitalisation.

The steering committee which controls the FT-SE 100 Index of leading UK equities ruled earlier this month that HSBC shares will qualify for inclusion in the index.

Stock options are increasingly popular with institutional investors as a tool to manage portfolio exposure to individual equities. The option will be the 68th individual

stock option traded on Liffe and the first since the exchange merged with the London Traded Options Market in March.

The exchange already trades options on Midland Bank shares, which will be phased out when the last outstanding contract expires in December. The HSBC option will follow the same contract specifications as other equity options, with each contract carrying a nine-month expiry date.

On Friday, "grey market" dealing - trading before the issue price has been announced - begins in the £454m subordinated loan stock offered to Midland shareholders under the offer.

Banks not involved in underwriting the bond issue were generally optimistic on the prospects for the deal.

Under the revised offer unveiled last month, the 10-year paper will be priced to yield 2.4 per cent more than UK government bonds, more generous than the 1.6 per cent yield spread originally proposed.

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COMPANY NEWS: UK

AAH improves 12% to £32.2m

By Roland Rudd

AAH HOLDINGS, the diversified distribution group, reported a 12 per cent increase in pre-tax profits for the year to March 31 on the back of a strong performance from healthcare services.

Pre-tax profits increased from £28.7m to £32.2m. Turnover rose from £1.1bn to £1.3bn. Sales benefited from the group's acquisition of two warehouses from Medico-pharma, a significant competitor, which withdrew from the UK market in November.

A subsequent inquiry by the Monopolies and Mergers Commission delayed integration of the acquired warehouses and recommended the divestment of a third warehouse in

Aberdeen. The group is now rationalising the two new warehouses into its network.

Healthcare services, which now account for 73 per cent of trading profit, reported increased profits of £26.7m (£24.4m).

Environmental services also reported increased profits of £4.5m (£3.8m) helped by increased tenders for local authority land maintenance and waste management contracts.

Three divisions continued to be affected by the recession: builders supplies saw its profits fall from £3.7m to £2.5m, consumer products fell from £2.2m to £2m and distribution services were down from £1m to £600,000.

Mr Bill Pybus, chairman, said he was confident that all three would pick up once the economy improved. Their share of the overall trading profit, which increased to £36.2m (£32.9m), is likely to continue to fall.

Increased working capital pushed up average borrowings to £38.3m (£28.3m) against shareholders' funds of £138.2m.

A final dividend of 10.95p lifts the total to 16.35p (14.85p). Earnings per share rose to 31.8p (29.7p).

COMMENT

The group's mainstream healthcare businesses will be further boosted this year from the withdrawal of Medico-pharma, which in the past has

been regarded as one of its most significant competitors. With the M&M inquiry out of the way, the group has started rationalising its warehouses, which is expected to lead to a reduction in the total number from 27 to 15. First time contributions from retail pharmacies acquired during the year should ensure that the division continues to report increased profits. More than 85 per cent of the profits are now generated by two divisions, healthcare and environmental services, in growing markets. Forecast pre-tax profit of £36.2m put the shares, which yesterday rose 5p to close at 512p, on a prospective multiple of 15. They look fairly priced at a premium to the market.



Bill Pybus: three divisions still affected by recession

Regulator concerned about future of LBC

By Raymond Snoddy

RADIO Authority is monitoring closely the state of Crown Communications, the lease-making company that owns LBC, London's speech-based commercial radio station.

On Monday Crown reported pre-tax losses of £5.5m in the six months to March 31, a performance that compared with losses of £4.6m at the interim stage last time and losses of £5.7m in the year to last September.

The main concern of the Authority, the regulatory body for commercial radio, is with the future of LBC, a station that has been increasing its share of the audience and trading profitably.

The Authority, it is believed, has had preliminary discussions with potential investors to try to safeguard the position of LBC if the financial position of Crown were to deteriorate.

Two years ago Crown shares were trading at 250p, but by this week the price had fallen to 8p.

In common with other media businesses the company has been hit by the recession, but in Crown's case this has been exacerbated by losses from an investment in RFM, a radio network with 89 stations in France.

Mr Christopher Chataway, Crown's chairman, said yesterday that the company would be reducing its stake in French radio but maintaining a presence. Partners were also being sought for other Crown businesses such as IRS, the commercial radio sales house.

Mr Chataway has assured shareholders that the company still has the support of its banks. Last month Price Waterhouse, Crown's auditors, said they believed there were adequate financial resources for the foreseeable future but some aspects of the accounts relating to the RFM investment had been qualified.

LBC's licence comes up for renewal in March 1993. It is clear that if LBC were to become embroiled in any way in the financial problems of its parent there are investors ready to move in.

The general stance of the Radio Authority is to try to keep stations on the air where possible. Meanwhile in a separate development yesterday Lord Chalfont, chairman of the Radio Authority, told the Association of Commercial Radio Companies they were getting a bit too agitated about the re-financing round starting in the autumn.

"The Radio Authority has no predisposition to change for change's sake," Lord Chalfont said.

Later he added that the "large majority of existing stations would get new licences if they were performing successfully."

Travel side helps Hogg Robinson jump to £15m

By Angus Foster

HOGG ROBINSON, the travel, transport and financial services company, yesterday announced a sharp increase in profits compared to 1990-91, when its travel business was hit by the Gulf war.

Pre-tax profits rose 86 per cent to £15.2m (£8.18m) in the year to March 31, on sales up 11 per cent at £102.5m (£92.5m).

At the interim stage, which covers the busy summer holiday period, profits improved by almost a quarter to £10.85m on sales of £52m (£48.6m).

The results were slightly ahead of expectations and the shares gained 7p to 220p.

Mr Brian Perry, chairman and managing director, said all divisions had performed well, especially financial consulting and European transport. Bookings for this summer through the company's 214 high street travel agencies were running at about 8 per cent ahead of last year.

"But it's been declining in the last six weeks and a hoped for surge after the election

didn't materialise," he said.

The travel division turned from operating losses of £2.63m – caused by the Gulf war and £2m of cost cutting – to profits of £4.44m. Following last year's rationalisation involving 200 job losses, productivity increased 16 per cent. Business travel also improved.

Transport, which covers commercial freight operations in Europe and the Falkland Islands, lifted operating profits to £4.66m (£3.92m). Turnover was helped by a five-month contribution from Belgian trailer company Dens group, acquired last year for £8.8m.

Financial services, which saw good growth advising on employee pensions, lifted operating profits to £4.65m (£3.2m).

Interest payments fell to £3.1m (£4.44m) due to lower interest rates and a £4m fall in net cash to £28m at the year end.

Earnings almost doubled to 14.01p (7.4p). The total dividend payment for the year is 6.3p (5.55p), via a recommended final of 3.8p (3.3p).

London Elec up 38% and stresses dividend growth

By Juliet Sychrava

LONDON Electricity yesterday reported a 38 per cent increase in pre-tax profits to £142.5m for the year to March 31 and made the strongest dividend statement of any electricity company so far.

"We have always maintained the prudent policy of growth broadly in line with underlying earnings, and expect to see that sustained," said Mr Roger Urwin, chief executive. The

company increased its final dividend to 11.5p (10.45p) for a total of 18.5p (17.45p).

This followed warnings by other companies that the bumper dividend increases of this year would be a one off.

Underlying London's confidence are the best customer service and the lowest tariff increases this year of all 12 regional electricity companies.

The core electricity distribution business accounted for most of the advance from the

pro forma pre-tax figure of £103.3m. Earnings per share rose from 34.7p to 47.5p.

About £39m of the increase in distribution operating profit to £158.3m was due to an extra increase in tariffs in April 1991, to compensate for undercharging the year before.

The electricity supply business made £5.8m (£3.8m) after bad debts rose from £5.7m to £12.6m.

The City forecasts pre-tax profit of £162m-£183m this year,

putting the company on a prospective p/e of between 6.5 and 7.5. The dividend is expected to be 18.5p-19p.

COMMENT

London is nothing if not upfront, and should be commended at least for attacking retail and contracting, where other companies have left them to vegetate. And publicly pouring money into restructuring suggests that it believes it can turn the businesses round.

Roger Urwin inspires City confidence, and the company's direct approach means it is good at giving nitty gritty numbers. But – perhaps because of its directness – London has always been bad at marketing itself. Manweb, for example, has a similar strategy, but has won hearts by promoting itself as the company that "sticks to the knitting". Whether this holds ill for London's retailing operation remains to be seen.

Kenwood just over-subscribed

By Richard Gourley

THE PUBLIC offering of shares in Kenwood, the kitchen appliance manufacturer which will begin trading on the market next week, was only just over-subscribed, Schroders, the merchant bank sponsoring the flotation said yesterday.

Subscribers will therefore be allocated only slightly less than they wanted. Some 11.61m shares were on offer.

The same number of Kenwood shares were placed with institutions at 285p on June 17, valuing the group at £104.5m.

Schroders said it was aware

that there was institutional demand for shares at the placing stage which had not been immediately satisfied.

The same institutions did not, however, appear to have applied in any great scale for additional shares in the public offering.

Analysts said the relatively low subscription level and the soggy nature of the market in general might lead advisers to other imminent flotations – like MFL Taunton and Anglian Windows – to reconsider their pricing in order to avoid leaving shares with underwriters.

The Kenwood placing was structured in such a way that

institutions which applied for shares in the placing also participated in underwriting the public offering.

Analysts said that given the current gloom pervading the stock market, the institutions declined the public offering because they were nervous they might be left with an undersubscribed offer.

Depending on conditions in the stock market, the institutions could try to build the stakes they require in the aftermarket once the shares start to trade on July 1.

Analysts do not expect the shares to open at a significant premium to the flotation price.

Wagon Industrial falls in line with forecasts to £14m

By Peter Pearce

PRE-TAX profits at Wagon Industrial Holdings fell from £21.5m to £14.1m in the year to March 31, pretty much in line with forecasts. The shares rose 1p to 442p.

Mr John Hudson, chief executive, said Wagon had "taken the bad news on the chin" – there were exceptional costs of £2.06m, provided for in the first half, relating to factory and product restructuring.

While continuing its policy of "selective" and "infilling" acquisitions, often from the customer base for modest outlay and increasing throughput – the group has undergone 18 months of "rationalising our main sites and downsizing the continuing ones".

With its net cash pile growing to £14.5m (£12.2m), Mr Hudson said Wagon would continue its acquisition strategy "indefinitely".

Trading profits of the material handling and storage side fell to £8.8m (£10.7m) on turnover of £98.4m (£105.3m). Link 41 and other shelving and racking companies "experienced flat or declining volumes", according to Mr Paul Taylor, chairman.

The engineering division's profits declined to £3.02m (£5.54m) on turnover of £38.2m (£52m).

Mr Hudson said Paul Forke, the German machine

tool maker, had a bad year as its East German and eastern European markets disappeared and its western markets suffered from recession.

Automotive products provided the best news with a profits advance to £5.43m (£4.82m).

Earnings were 23.72p (23.51p) per share at the basic level and 23.73p (23.59p) fully diluted. The total dividend was maintained at 17p with an unchanged final of 10.67p.

COMMENT

With the recovery in UK markets neither immediate nor even anticipated in the longer term, Mr Hudson and his team have shown themselves to be good managers in recession. In bold moves they have actively tackled the thorny cost base problem – working capital is down £7.3m, capital expenditure is one-and-a-half times depreciation, £4m-£4.5m has been lopped off the fixed overhead and cash generation has been good in a bad year. Cheap infill acquisitions suit slow economic growth, though Wagon has the cash for anything larger, should it want to splash out. Pre-tax profits of about £19m are expected for the current year, with earnings between 32.3p and 34p per share. This gives a prospective multiple of about 13.3. As a quality cyclical stock with recovery potential, accumulation would carry little risk.

BTP alters focus after £18.2m

By Richard Gourley

BTP, the specialist chemicals company, yesterday reported a marginal increase in profits over the previous year, in difficult trading conditions.

Mr Rob Martin, finance director, said the new year had started on a "firm note," mainly because of foreign markets, which will account for two thirds of sales this year. There was no sign of demand rising in the UK.

Pre-tax profits in the year to March 31 rose from £18m to £18.2m on sales up 14 per cent at £175m (£158m). Margins in

the chemicals division had come under particular pressure in the UK due to the recession and because growth had been concentrated in the less profitable overseas markets.

Earnings fell from 15.39p to 14.81p, but the company proposes an increased final dividend of 5.75p (5.45p) giving a total for the year of 8.85p (8.4p).

Due to the £28m rights issue in February, part of which was used to buy two French adhesive businesses, the year ended with £5.5m of cash, compared with £8m of debt last year.

Mr Martin said benefits would increase from reducing

dependence on the UK market. By the end of this year, the company would derive only a third of its sales from the UK, down from 38 per cent in 1991, with another third derived from continental Europe and 20 per cent in the US.

Sales in the chemicals division rose 20 per cent to £91m but operating profits were only 10 per cent up at £11.2m (£10.2m). Industrial sales rose to £51.3m (£46.7m) but profits fell from £4.58m to £4.08m following poor performances in the storage and coatings businesses.

BTP shares fell 3p to 238p.

JLI Group advances to £3.2m

By Maggie Urry

JLI Group, the dried fruit, nuts and pickle ingredients processor, raised pre-tax profits from £2.32m to £3.17m in the year to March 31, just beating the forecast made with its most recent rights issue.

The company made two rights issues during the period, raising £30.7m net and increasing the share capital by 125 per cent, and made or lined up five acquisitions.

Group turnover in the 12 months fell to £84.3m (£90.1m), though this was after the merchandising division sales fell from £24.1m to £2.3m before being discontinued.

Mr Yoav Gottesman, chief executive, said some of the acquisitions had been less-making when they joined the group, but had been turned round.

Reduced interest payable of £940,000 (£1.7m) boosted pre-tax profits. A lower rate of tax partly offset the effect of the increase in share capital, which held earnings per share growth to 16 per cent from a restated 9p to 9.3p.

As forecast with the rights, a proposed final dividend of 3p (2.87p) lifts the total to 4.5p (4.3p).

ERF cuts loss and plans expansion

By John Griffiths

ERF, the UK's last independently-owned truck maker, cut its pre-tax losses from £4.7m to £366,000 in the year to March 28 in the teeth of the worst UK truck market slump since the second world war.

Mr Peter Foden, the chairman, also disclosed plans yesterday to lessen ERF's dependence on the volatile UK market by spreading sales to continental markets, in what he described as "one of the most important steps ERF has taken for many years".

However, the overall result for the year obscured a deteriorating performance in the second half as a result of a large export contract to Zimbabwe coming to an end. At the interim stage to September 30 ERF achieved a pre-tax profit of £300,000, reversing 18 months of losses.

Neither the figures nor the European expansion plan were enough to allay market worries about the lack of recovery in the UK, on which ERF remains, for the moment at least, heavily dependent. According to Mr Rod England, ERF's sales and marketing director, "there is no sign

of an upturn".

Its shares closed down 2p at 220p, influenced also by a final dividend reduced from 3p to 2p after an unchanged interim of 1p. Losses per share fell to 12.75p (14.41p).

A brief post-general election upturn had fizzled out.

Turnover for the year moved ahead to £118m (£103m) and there was a profit at the trading level of £549,000 (£3.54m loss). However, this was before an exceptional charge of £1m to cover the development of a new range of environmentally "cleaner" trucks, preliminary expenses of the continental European venture and a further £3 redundancies which have reduced ERF's workforce to a total of 754.

Mr Foden said that further development of both projects would increase exceptional costs next year, probably to about £2m. In the absence of a UK recovery, that was likely further to raise the company's gearing from its current level of 17 per cent, up from 6 per cent last year.

However, the rise is expected largely to reflect increased on-balance sheet leased assets to bring the new truck range into production. "Borrowings for operating pur-

poses are likely to remain close to zero and will remain under close control", said Mr Colin Fuller, finance director.

ERF expects to produce an unchanged 2,000 trucks this year but warned that whether more redundancies were required would depend on the timing and strength of recovery in the UK market.

It plans to unveil its attack on continental Europe at the Paris commercial vehicle show in October, with first vehicles being shipped in November. Initially it is setting up sales operations in France and Spain, and has established two wholly-owned subsidiaries, ERF (France) and ERF (Spain) to be set up dealer networks and administer the business.

Mr Foden said it "would not be unreasonable" for ERF to gain a 1 per cent to 2 per cent share of the French and Spanish heavy truck markets over the next two to three years. At current market levels, that would add about 1,200 units to ERF's annual sales.

Currently, its exports are mainly in the form of kits to South Africa and other African states, plus New Zealand, accounting for about 30 per cent of unit sales.

WAGON INDUSTRIAL

Restructured for the future

	Year ended 31.3.91 £'000	Year ended 31.3.92 £'000
Turnover	229,526	233,040
– continuing operations	229,526	233,040
– businesses sold	—	22,944
Profit before exceptional items	16,174	21,516
Exceptional items	—	—
– factory and product rationalisation costs	2,051	—
Pre-tax profit	14,123	21,516
Cash less total borrowings	14,538	12,239
Earnings per share (fully diluted)	23.79p	35.89p
Dividend	17.00p	17.00p

■ Successful cost containment
■ Rationalisation of products and production facilities
■ Signs of slow upturn in market demand
■ Strong, ungeared balance sheet

A copy of the Annual Report may be obtained from The Secretary, Wagon Industrial Holdings PLC, Haldane House, Halesfield, Telford, Shropshire TF7 4PB or telephone 0552-680111.

CORRECTION

Standard Chartered

Standard Chartered PLC

(Incorporated with limited liability in England)

£300,000,000
Undated Primary Capital Floating Rate Notes
of which £150,000,000
comprises the Initial Tranche

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the three months period (92 days) from 22nd June to 22nd September, 1992 the Notes will carry an interest rate of 10 1/4 per cent per annum.

The interest payment date will be 22nd September, 1992. Coupon No. 29 will therefore be payable on 22nd September, 1992 at £1,288.25 per coupon from Notes of £50,000 nominal and £128.83 per coupon from Notes of £5,000 nominal.



J. Henry Schroder Wagg & Co. Limited
Agent Bank

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Current dividend	Total for year	Total last year
AAH	10.95	Oct 20	9.9	16.35	14.85
Bristol Water	18.7	Oct 1	—	28	—
Cassidy Bros	1.65	Aug 28	1.5	2.4	1.5
Courts	3.17	Oct 18	3.17	6	6
ERF	—	—	—	—	—
Feedback	—	—	—	—	—
First Leisure	1.28	Oct 30	1.745	—	5.885
Hogg Robinson	3.8	Aug 14	6.3	5.55	—
Hoskyns	0.75	Aug 7	0.75	—	—
JLI	—	—	—	—	—
Kleinwort	1.25	Aug 7	1.25	—	—
Latham (James)	2.25	Aug 19	4.3	3.75	6.6
Lee (Arthur)	1.65	Aug 14	1.65	16.8	10.45
London Elec	11.8	Oct 5	10.45	1.85	3.45
ML Holdings	—	—	—	—	—
South Business	1.15	Oct 1	1.03	1.03	—
Wagon Industrial	10.875	Oct 2	10.875	17	17

Dividends shown pence per share net except where otherwise stated. 10p increase in capital, \$15M stock. ?Comparisons not valid due to change in share structure.

THE LEEDS

LEEDS PERMANENT BUILDING SOCIETY
(Incorporated in England under the Building Societies Act 1986)

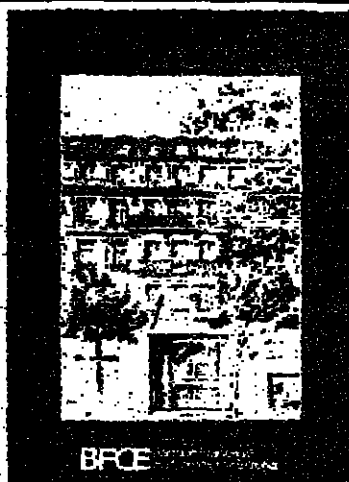
Issue of up to an aggregate of
£200,000,000
Subordinated Variable Rate Notes
with a maturity of 12 years

Notice is hereby given that for the three months interest period from June 23, 1992 to September 23, 1992 (92 days) the Subordinated Notes will carry an interest rate of 10.7625%. The interest payable on September 23, 1992 for the Subordinated Notes will be £270.53.

By: The Chase Manhattan Bank, N.A.
London, Principal Paying Agent

June 25, 1992

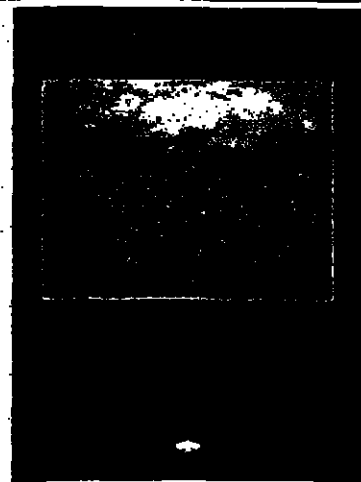
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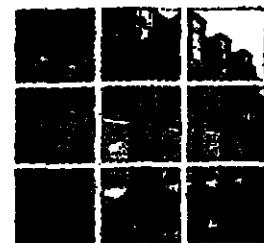
Banque Française du Commerce Extérieur
A reliable banking partner to a dynamic corporate and institutional clientele operating in the international markets. BFCE offers corporations diversified financing instruments as well as new and highly innovative products to manage their payments in France and worldwide. The Bank solves currency and interest rate risk management problems and provides a full array of investment instruments. BFCE is expanding services for mergers and acquisitions and equity financing, through its subsidiary, Société Financière de la BFCE.



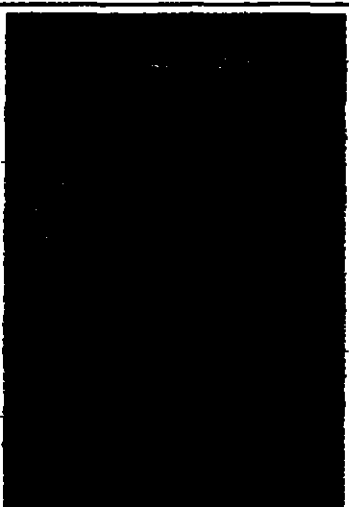
Roussel Uclaf
Roussel Uclaf, whose core businesses are Healthcare, Parapharmacy, Agroveterinary and Chemicals, is one of France's largest groups in the pharmaceutical industry. Operations outside France generate some 64% of its total consolidated sales, and in 1991 Roussel Uclaf in particular emphasised growth in Europe and Japan. More than FF 1.5 billion was invested during the year in research and development on four therapeutic fields in human healthcare - antibiopharmacy, the cardiovascular system, endocrinology and immunology - and on insecticides in the agroveterinary business. Consolidated sales: FF 14.35 billion (+10% over 1990). Net income (Group share): FF 598 million (+0.2% over 1990).



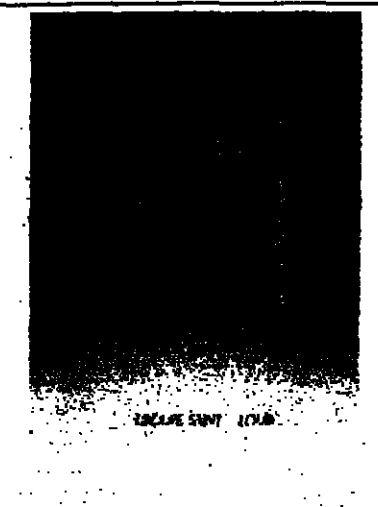
Cap Gemini Sogeti
CAP GEMINI SOGETI, an independent and public group with about 17,000 employees, is one of the leading computer services companies in the world and the largest in Europe. In 1991, CAP GEMINI SOGETI realized consolidated revenues of FF 10 billion (+9%), of which 61% were generated outside France. Net income after tax amounted to FF 560 million. The company's leadership is acknowledged in all advanced software technologies.



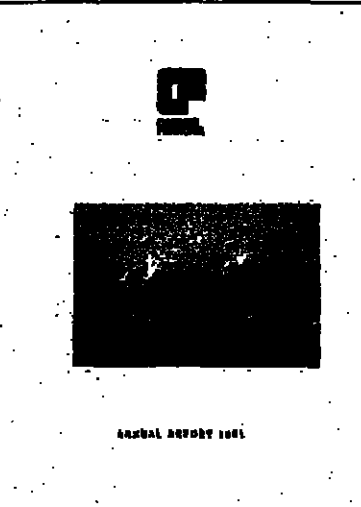
CPR Group
In 1991, the CPR Group concentrated on its three traditional business lines: proprietary asset management, brokerage, and investment management services. CPR pursued its policy of international diversification actively, and now operates in six countries. By year-end half the consolidated balance sheet consisted of assets outside the franc zone.
1991 key financial information:
Total assets: FRF 77 billion
Capital base: FRF 2.58 billion
BIS ratio: 11.2%



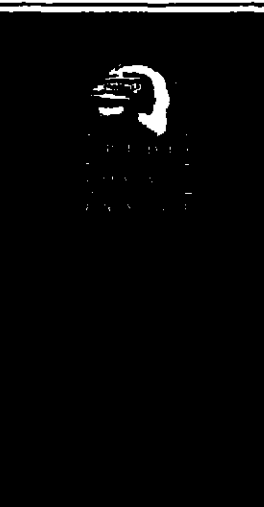
Moulinex
1991 - The year of the Krups acquisition was a good one for the Group. Sales: FRF 8,357 billion. An increase of 11.6% on a comparable basis. Dividend was maintained at FF 6 despite the greater number of shares resulting from the increase in capital of FF 213 million.
The Moulinex company, Victor was wholly acquired. Opening of an international research centre in China and a new plant in Egypt.
1992 - Implementation of marketing operations to expand the Group's business in Central and Eastern Europe, and North America.
For Krups, to boost sales in the two main markets, Germany and the USA, as well as achieve sustained development worldwide.



Saint Louis
A EUROPEAN GROUP OF HUMAN DIMENSION.
Saint Louis: A Diversified Industrial Group whose productivity is assured through regular but selective investment. A group which has diversified in order to maintain steady growth. A group with the will and financial resources for an ambitious development policy.
Saint Louis: Two special areas of expertise: Agri-foodstuffs and Paper. With Odéon Sarrasin and Euxine, Saint Louis generates sales of FF 11 billion in agri-foodstuffs with a work force of 8,500. With Arjo Wiggins Appleton, the leading paper manufacturer in the European Community with 2.5 billion in sales and 19,000 employees, Saint Louis is the principal shareholder with a 39% holding.



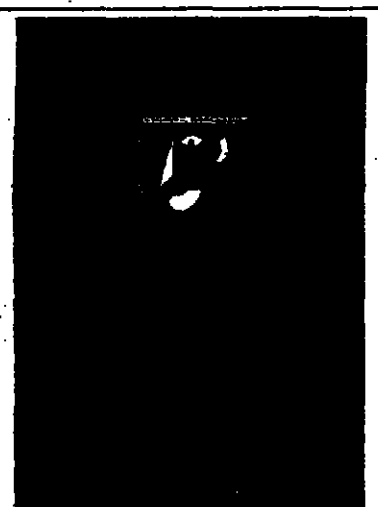
Ciments Français
Ciments Français is the world No 3 cement producer, with a strong integrated position in construction materials (aggregates, ready-mixed concrete and concrete products). The company also pursues ongoing technical innovation and applied research. With operations in twelve countries and a total workforce of 18,000 persons, Ciments Français had consolidated sales of FF16.5 billion in 1991, nearly half of which was generated outside France. Today, Ciments Français has entered a new phase in its development following the link-up in April 1992 with Italcementi, Italy's largest cement producer. The group Chairman and Chief Executive Officer is Mr Pierre Cossu.



Crédit local de France
During 1991, the French leading banker to local authorities has strengthened its financial results:
• consolidated net income: FF 1075 million, an increase of 13% over 1990
• new long-term loans originated: FF 40 billion, an increase of 16% over 1990
• stockholders' equity: FF 13 billion, an increase of 17% over 1990
FINANCING MUNICIPAL AND REGIONAL DEVELOPMENT.



CarnaudMetalbox (CMB Packaging)
With 1991 turnover of FRF 25.5 billion, CMB Packaging employs more than 31,000 at 150 factories in 30 countries. CMB Packaging is Europe's leading packaging manufacturer and one of the world's largest companies engaged exclusively in packaging. In order to optimise its strong reputation among its clients, shareholders and partners, who indeed, even after the 1989 merger, still refer to the original Carnaud and Metalbox names, the company will change name. This change, proposed by R. Jürgen Hertz, President of the Directorate, was approved by the shareholders at the Annual General Meeting on 20 May 1992. CMB Packaging is now named CarnaudMetalbox.



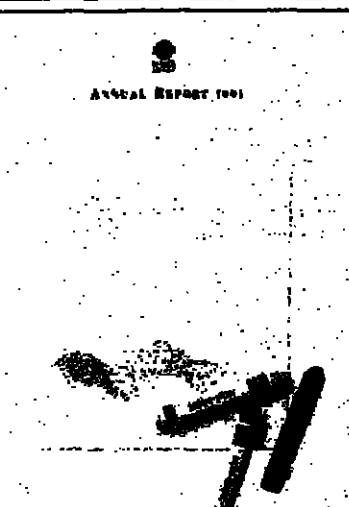
Crédit National
First-hand knowledge of industry, financial strength and high ethical standards will enable Crédit National to fulfil its ambition of being a leading corporate banking specialist in the 1990s. The Group offers its customers the financial know-how needed for their growth, the capacity to develop complex and competitive financial solutions, as well as the capacity to take long-term risks. The Group's activities have been reorganised around four businesses:
• corporate banking
• equity financing
• real estate activities
• capital market activities
Chairman and Chief Executive Officer: Yves Lyon-Caen



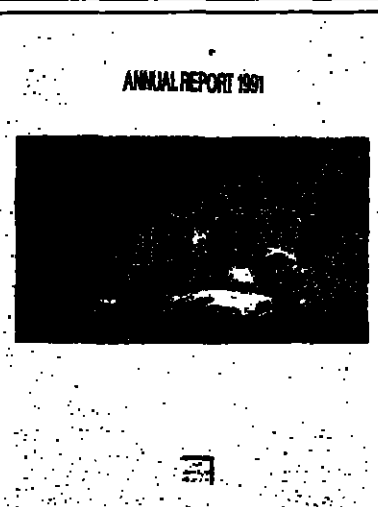
Groupe EMC
EMC ranks among the worldwide farming community's leading industrial suppliers and is a major operator in the global market for perishable derivatives. The Group's businesses are organised around three main segments:
• perishable, chiefly for fruit and vegetable production
• chemicals, with organic, inorganic and fine chemical specialty products
• animal feed and animal products, comprising animal feed marketing, animal feed production and animal health: pork genetics, pork products and eggs.
Other businesses include diversified services in agronomy, engineering, transportation and industrial waste disposal.
1991 Sales: 15.8 billion FF. Chairman: R. Grief.



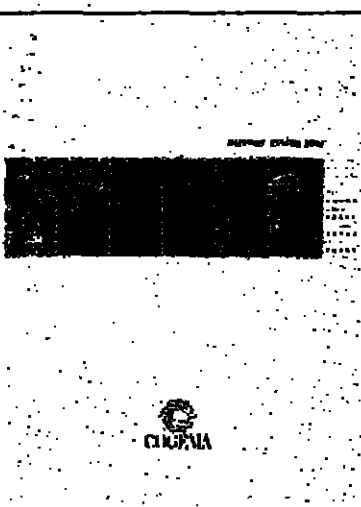
CANAL+
Created in 1984 to operate an over-the-air television service in France, CANAL+ has become the European leader in the fast-growing pay-television industry.
The first TV channel in France in terms of sales and profit, CANAL+ ranks 19th in the CAC 40 Index and 53rd in the FT-SE Eurozone 100 Index in terms of market capitalization.
In 1991, CANAL+ realized consolidated revenues of FF 7 billion, up 14%. Net income after minorities increased 18.8% to FF 1,081 billion.
Chairman: André Rousselet



Lyonnaise des Eaux-Dunee
Everyday on the five continents, the Group Lyonnaise des Eaux-Dunee contributes to higher standards of living and to the protection of the environment. It specialises in environment-related services (water supply, energy technologies, waste management), construction and development (buildings, public works, industrial installations, engineering structures), services to communities (health care, leisure, communications, funeral services). Group workforce totals 120,000 and revenues in 1991 amounted to 87.5 billion French francs. Net income was 1.17 billion French francs. There was a record level of investments (9.5 billion French francs).



PSA Peugeot Citroën
The PSA PEUGEOT CITROËN group is Europe's third largest automobile manufacturer, with 12.1% of the European market in 1991 and 2,045,000 vehicles produced. The first French car manufacturer with 33.1% of the French market, PSA PEUGEOT CITROËN is also France's largest exporter, with FF 71 billion in export sales. In 1991, PSA PEUGEOT CITROËN had sales of FF 160 billion and earned net income of FF 5.5 billion.
Chairman and Chief Executive Officer: Jacques Calvet.



Cogema
Cogema is a world leader in the nuclear fuel cycle. Consolidated revenue for the Cogema Group was FF 21.7 billion in 1991, with export sales accounting for 31%.
Significant Events in 1991
• Settlement of the Franco-Iranian litigation gave Cogema's subsidiary Eurodif extraordinary income of FF 1.7 billion.
• Reprocessing Division revenue rose 21% to FF 8 billion as capacity continued to rise at the new ULP reprocessing plant at La Hague.
Net income for the Group in 1991 held steady at FF 260 million.



Lafarge Coppée
Lafarge Coppée is one of the world's foremost producers of building materials, with leading positions in each of its business areas: cement, concrete and aggregates, gypsum, specialty products and bioactivities. In 1991, the Group experienced a poor year, with FRF 31.6 billion in consolidated sales and FRF 1.6 billion in net income from consolidated companies. Its long term strategy remains focused on expansion in Europe, the Mediterranean rim and in developing countries (Turkey, Brazil...), a systematic penetration of Asian markets, the consolidation of regional positions in North America and worldwide development of specialty products.

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| 35 <input type="checkbox"/> Cap Gemini Sogeti | 39 <input type="checkbox"/> Ciments Français | 43 <input type="checkbox"/> Groupe EMC | 47 <input type="checkbox"/> Cogema |
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COMPANY NEWS: UK

£70m discos and bowling alleys expansion planned over the next two years

Recession trims First Leisure interim profit

By Christopher Price

FIRST LEISURE, the ten-pin bowling, discotheque and theatre group, yesterday reported pre-tax profits lower at £11.7m, compared with £12.1m, for the half year to May 3 1992.

The results reflected the continued effect of the recession, with turnover showing a marginal decline from £46.8m to £46.1m, as spending was reduced.

Lord Delfont, chairman, said that the group had yet to experience any sustained improvement in customer demand and he expected difficult trading conditions to prevail throughout the second half.

Mr John Conlan, chief executive, said the group managed to hold ground in some key divisions and he expected an improvement in second half trading, particularly in discotheques and bowling, as more new openings and refurbish-

ments come on stream.

He said that the expansion programme would be unaffected by the current trading climate. There are three discos and eight bowling alleys planned to open over the next two years, which together with refurbishments will involve a \$35m a year capital expenditure plan.

The profit was struck after taking account of a decline from £1.45m to £1.03m on property disposal profits but after a drop in interest charges from £2.4m to £1.6m.

Earnings per share rose, from 5.83p to 5.89p, and the interim dividend is raised to 1.85p from 1.745p.

The resorts business, which includes Blackpool Tower, turned in the best relative performance, increasing pre-tax profit 17 per cent to £1.4m after fine Easter weather improved demand.

Profits from ten-pin bowling



John Conlan: group managed to hold some ground

and snooker were steady at £7.2m, with Mr Conlan pointing out that last year's figures also benefited from four new

outlets, compared with just one for this period.

Discotheques profits declined from £6.9m to £6.1m, with the

jewel in the group's crown - the Empire (now Equinox) in London's Leicester Square - closed for a £2m refurbishment.

COMMENT

Sticking slowly but tenaciously to its unglamorous niches, First Leisure continues to enhance its market share and maintain its margins. Yesterday's interim figures were a bit better than expected and the company is confident of second-half improvement as refurbishments and expansion pay off. But its warnings of tough second-half trading led to a shaving of full-year forecasts to around £32m for a p/e of 19. The rating fully reflects First Leisure's recessionary strengths and growth potential when the economy improves. Investors looking for greater exhilaration in the leisure sector will find it more diversified and underperforming stocks.

Warning of loss wipes 22p off Henlys' share price

By Maggie Urry

HENLYS GROUP, the motor trader, coach and bus manufacturer and distributor which has changed its name from Plaxton, yesterday warned that it would make a loss in the first half of 1992 and saw its shares slump 22p to 56p on the news.

Mr Robert Wood, chief executive, said the problem area was the coach and bus manufacturing plant in Scarborough, North Yorkshire, where some of the 750 jobs would be cut in the autumn following a review by management consultants.

Henlys had already cut coach production by closing three plants and concentrating production at the Scarborough plant. Mr Wood said that despite this action more was needed as demand had fallen again, even after a 60 per cent drop in the previous 18 months.

He said that there were also teething problems with the group's new range of coaches. Henlys, which has half the UK market for luxury coaches but does not export them, has been trying to enter the Continental European market by introducing a range meeting European standards.

Mr Wood said that other parts of the group were showing improved results, but that City forecasts of a small profit for the year were too optimistic. Hoare Govett, the stockbroker, is now forecasting an annual loss of £2.5m.

In 1991 the group made a pre-tax loss of £6.5m, including an interim loss of £4.5m.

Mr Wood said that cash flow was within budgeted levels and balance sheet gearing was in line with the 65 per cent recorded at the end of 1991.

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21st ANNIVERSARY 1970-1991

Courts suffers 11% downturn to £8.09m

COURTS (Furnishers) suffered a fall in pre-tax profits from £9.06m to £8.09m for the year ended March 31, with the trading environment remaining exceptionally difficult.

The 11 per cent downturn in profits was after taking account of interest charges of £5.97m (£5.52m), a transfer to deferred profit of £5.31m (£5.55m) and property disposal losses of £560,000 (profit £1.64m). On the plus side there was a £1.28m share of profit from the new Trinidad associate.

Earnings worked through at 19.7p (23.8p). A final dividend of 3.17p holds the total at 5p.

Group turnover increased by 5 per cent to £184m. The figure excluded any contribution from the Trinidad associate but included the depreciatory effects of the 66 per cent devaluation of the Jamaican dollar.

Southern Business shows 10% advance to £7.11m

By Angus Foster

SOUTHERN Business Group, the photocopier and vending machine supplier which has had its share price overshadowed until recently by criticism of its copy agreements and accounting practices, has announced a 10 per cent increase in interim profits.

Pre-tax profits rose from £6.47m to £7.11m in the six months to March 31 helped by recent acquisitions.

Mr David McErlain, chairman, said an aggressive marketing programme launched a year ago led to a small increase in copy volumes.

Turnover was 10 per cent higher at £27.4m (£24.9m), reflecting organic growth, the impact of acquisitions and some price increases.

Mr McErlain said the group

continued to consider opportunities for further acquisitions complementary to its activities which offered a good potential return on the initial investment.

Forward contracted income, revenue the company stands to receive from outstanding contracts, increased by 2.3 per cent to £306m.

Net borrowings were stable at £2.8m with gearing at 5 per cent.

Earnings per share were 8.8 per cent ahead at 4.93p (4.53p) and the interim dividend is raised by 11.7 per cent to 1.15p (1.03p).

The company has recently renewed a five-year agreement with Canon, which accounts for about 85 per cent of the photocopier machines Southern Business supplies.

The shares closed unchanged at 110p.

Price competition causes Hoskyns' dive to £5.6m

By Alan Cane

PRE-TAX profits at Hoskyns, the UK-based computing services company owned by Cap Gemini Societ  of France, nosedived in the first half as the recession and fierce price competition squeezed margins relentlessly.

Profits before tax in the six months to April 30 fell 35 per cent to £5.6m (£8.6m) pushing earnings per share 39 per cent lower at 3.9p (6.4p).

Turnover fell to £95.7m (£102.8m) suggesting that the company's reputation for unbroken growth may not be restored quickly.

The interim dividend of 0.75p is being maintained, however, in the expectation of improved trading in the second half.

Mr Geoff Unwin, chairman and chief executive, said the results reflected the grim trading conditions prevailing. In

addition, the company's strong performance in the first half of 1991 made comparisons even less favourable.

"Our order book in most parts of the business is looking healthier and our increasing headcount reflects a stronger demand for our services. However, we still see no signs of recovery in certain areas and margins remain tight."

Hoskyns has proved a reliable performer over the past 13 years, coupling sound management with market leadership in fast growing areas such as facilities management.

Mr Unwin said that while consultancy and systems integration work were producing reasonable returns, the education and training market was exceptionally tough.

Price competition was forcing down profit margins in facilities management to unwise levels.

Bristol Water turns in £5.24m

BRISTOL WATER HOLDINGS yesterday reported its first annual result since it came to the market in November 1991.

Pre-tax profits for the year to end-March came out at £5.24m and were achieved from turnover of £47.9m. In the previous year pre-tax profits were £2.97m and turnover was £42.1m.

Sir John Wills, chairman, said the improvement in profits had been achieved with the assistance of a cost-cutting programme which had helped secure the efficiency gains necessary for the core business to grow satisfactorily.

The board took a conservative view of diversification, he said, believing that the maintenance and development of the core water supply business should be the company's first priority.

A final dividend of 18.7p makes a 28p total. The dividend is covered 2.5 times by earnings per share of 68.9p (38.9p).

Following consultation with the Director General of Water Services, prices for 1993 would increase by an average 7.3 per

cent - 1.1 per cent below the maximum permitted, Sir John said.

Arthur Lee rises to £604,000

Shares of Arthur Lee & Sons, the steel and plastics maker, rose 8p to 98p yesterday following the announcement of a rise in pre-tax profits from £233,000 to £604,000 for the half year ended March 31.

Directors said the improvement in part reflected action to reduce costs, particularly of raw materials and staffing levels where numbers fell to 1,268 against 1,427 a year earlier.

Turnover of the continuing operations slipped from £53.7m to £51.3m. Earnings amounted to 1.28p (1.05p) and the interim dividend is a same-again 1.65p.

The directors pointed out that although the volume of deliveries in some of the group's steel-based operations was currently showing some modest uplift compared with the levels attained in the depth of the recession and, in plastics, demand for medical moulding was encouraging, competition remained intense.

Merchandising decline hits James Latham

Heavy losses in its merchandising activities resulted in an increased deficit of £612,000 at

James Latham, timber and builders merchants, in the year to March 31.

In what the company termed "a miserable year" sales fell to £59.6m (£66m). Profit on property sales contributed £318,000 (£186,000), in the comparable 12



months the pre-tax loss was £383,000.

Mr Christopher Latham, chairman, said that within importing activities panel products trading had remained comfortably in profit, but timber trading had produced a mixed performance overall.

The final dividend has been cut to 2.25p (4.5p) for a reduced total of 3.75p (6.5p). Losses per share came though at 8.7p (7.1p).

Grand Central reorganisation

Grand Central Investment Holdings, the food and forestry group which specialises in cocoa and chocolate and has interests in Pacific Asia and Australia, is to reorganise its interests in Singapore and Mal-

aysia.

GCIH Singapore, a subsidiary of GCIH, has conditionally agreed a sale and purchase agreement with Sunshine Allied Investments, a subsidiary of GCIH Singapore, whereby Sunshine will acquire the entire share capital of Quintinor (Malaysia) from GCIH Singapore.

The consideration of \$817.4m (£5.8m) will be satisfied by the issue of 6.32m new \$1 Sunrise shares at \$82.75 each.

Quintinor is a holding company formed solely for the purpose of the corporate reconstruction.

Prior to completion of its acquisition by Sunshine Quintinor will acquire from Anglo Pacific Corporation (Malaysia) - a wholly-owned subsidiary of GCIH Singapore - 70 per cent of Upall and the entire share capital of Network Foods (Malaysia). Quintinor will then be renamed Upall Group.

On completion of the acquisition of Upall the direct interest of GCIH Singapore in Sunshine will be 69.6 per cent.

Finsbury Smaller share placing

Finsbury Smaller Companies Trust intends to increase its size by a placing - subject to shareholder clawback - of new ordinary shares and a new class of zero dividend preference shares.

The issue will raise about £7.5m. The ordinary shares will be priced at net asset value and the preference shares will be priced to yield about 9.75 per cent.

At the same time Finsbury Growth Trust intends to place its holding of about 41 per cent of the issued share capital of FSCOT.

Kleinwort Charter net assets grow

Kleinwort Charter Investment Trust yesterday reported net asset value of 188p at May 31, against 172.3p at November 30 1991 and 184.6p at the end of the first half of 1991.

Net revenue in the six months under review came to £1.98m (£2.17m). Earnings per share were 2.42p (2.88p) and the interim dividend is unchanged at 1.25p.

The trust has decided to focus investment in European stock markets. At May 31 its invested funds were 62.8 per cent in the UK, 3.1 per cent in North America, 0.4 per cent in the Far East (excluding Japan) and 33.7 per cent in Continental Europe.

Residential agency formed in £1.5m deal

A new company, Cluttons London Residential Agency, has been formed through the amal-

gamation of the London residential agency business of the Cluttons Partnership with the recently-acquired four central London and Hong Kong offices of Bernard Marcus.

The equity funding package of £1.55m has been led and arranged by County NatWest Ventures, the venture capital concern. The package comprises a mixture of ordinary and preference share capital.

The new company aims to provide an independent, service-orientated agency at the middle to top end of the market.

Cassidy Brothers advances 47%

Cassidy Brothers, the USM-quoted toys, games and sports goods group, achieved a 47 per cent rise in pre-tax profits for the year ended April 30.

On turnover 10 per cent ahead at £5.22m the pre-tax result emerged at £695,521 against £473,923.

Mr Thomas Cassidy, the chairman, said that orders were 10 per cent up on this time last year and with regard to the current year all indications pointed to a further increase in turnover which the company was well equipped to satisfy.

Earnings per share advanced to 9.07p (4.32p) and a proposed final dividend of 1.65p (1.5p) makes a total of 2.4p (1.5p).

NOTICE OF PURCHASE



EUROPEAN INVESTMENT BANK

GBP 500,000,000 9.50% Loan Stock due 09.12.2009

Pursuant to the terms and conditions relating to the Stock, notice is hereby given to stockholders that during the six-month period ending June 9, 1992, no purchases have been made in the open market for this issue.

As of 9th June 1992, the principal amount of such Bonds remaining in circulation was

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European Investment Bank

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Cologne

June, 1992

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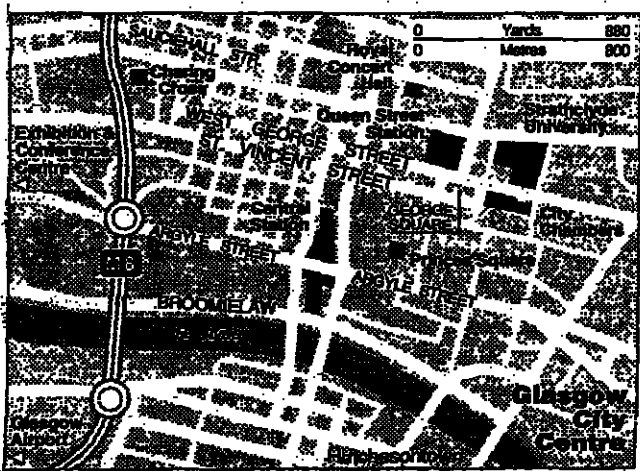
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GLASGOW

Thursday June 25 1992

Services replace industry.
Beautifying the Gorbals.
The tourist trail. Page 3Putting a brave face on the
recession. Offices expand.
A city of colleges. Page 2

Glasgow Cathedral: grit and stamina for the long road back



GLASGOW last winter formally sent into retirement its famous slogan *Glasgow's Miles Better*, which, enlivened with the cheery face of Mr Happy, had for a decade been pasted to the side of buses in both Glasgow and London, and, translated into foreign languages, taped proudly to the luggage of Glaswegians travelling abroad.

The decision to drop the slogan was a symbolic moment of transition. It showed that Glasgow thinks the world has now accepted that it has pulled itself out of the decline to which it seemed to be condemned in the 1960s and 1970s, and that it is time for the next stage in the city's recovery.

Yet there seems to be a widespread realisation in the city that the next stage is not likely to be particularly easy, nor are its outlines very clear. The greater sobriety of the new slogan, *Glasgow's Alive*, (said to be more convenient than its predecessor for putting on to almost any document originating in Glasgow) has a durability that may be required during the long haul ahead.

The revival of Glasgow has so far been one of the success stories of urban regeneration in Britain. In the 1970s the economic base of this once great shipbuilding and manufacturing city was declining at an alarming rate; its population fell by 33 per cent between 1961 and 1981, not just through organised dispersal to new towns but by emigration motivated by despair. The city had an intimidating reputation for crime and crime.

A turning point came in 1975 when the new Strathclyde regional council persuaded the government to abandon the creation of another Scottish new town and divert the money to the regeneration of the decayed east end of the city. Gradually a coalition of forces – the Scottish Development Agency, the Labour controlled regional and district councils and the private sector – developed a strategy for recovery, which involved pouring in very large quantities of public money. Much of this came from a £260m EC integrated development grant

After stemming the decline of the 1960s and 1970s, Glasgow is fighting to avoid the worst of the present recession, writes **James Buxton**. At the same time, it is trying to create and consolidate a new basis for its future prosperity

Alive and kicking

negotiated by Strathclyde regional council.

Glasgow was perforce to become a largely post-industrial city, concentrating on developing its service activities. The initial aim was to improve the centre of the city, not least by property development, new retail complexes and extensive stone-cleaning, making the centre one of the main generators of wealth.

Glasgow would also exploit its already strong cultural assets to become a tourist destination and develop its distinguished university base to become an exporter of graduates and knowledge.

What made the policy work was the existence of a form of collective leadership that was lacking in Liverpool, a city with comparable problems, which took such a different path to Glasgow in the 1980s. Glasgow's Labour politicians became almost Conservative in their fiscal rectitude and grasp of commercial reality; the city's business leaders are committed people who for the most part live in the city rather than escaping to the countryside in the evening.

The landmarks of revival are the Glasgow's *Miles Better* slogan which struck a happy note with Glaswegians when it was launched in 1983 ("people just flooded into the City Chambers to pick up the stickers," says Mrs Jean McFadden, leader of

the district council); the Glasgow Garden Festival of 1988; and the city's year as European City of Culture in 1990, which culminated in the opening of the £28.5m Royal Concert hall.

Yet despite all the achievements, unemployment in Glasgow never dropped below 14 per cent in the recent upturn and has lately risen to 15.5 per cent, with no less than 21.6 per cent of the male workforce out of work. Manufacturing is still declining despite the fact that Glasgow has some good engineering and shipbuilding companies: it now occupies only 16 per cent of the work force.

The population is still falling, although the drop from 765,000 in 1981 to 654,000 in the 1991 census may have been exaggerated by as much as 35,000 by poll tax non-payers not registering in the census.

Above all, while the centre and the west end of Glasgow are now rather smart, and surrounding areas like the east end, Govan and even the Gorbals are improving, there are still great areas of wretched accommodation, poverty and misery in the peripheral areas of Easterhouse, Drumchapel, Castlemilk and Pollok.

Last year, the Scottish Development Agency was wound up and replaced with a network of local enterprise companies under the umbrella of the new Scottish Enterprise. Glasgow

gained the Glasgow Development Agency, which has a budget this year of £67m to spend on training, property and environmental improvement and assistance to business.

Mr Stuart Gulliver, its thoughtful, chain-smoking chief executive, exudes what the agency calls the "new mature realism" about Glasgow. "Any turnaround of a city like Glasgow takes about 25 years, a full generation. So far we've done 10 years and transformed the urban landscape, laying a path of improvement across the city. There's far more to be done."

He is frustrated that the recession, which came late to Glasgow, is putting a brake on development and forcing businesses to concentrate on survival rather than long-term improvement. He admits that the agency's prime target group among the city's 50,000 unemployed has to be the top 30 per cent – "the walking wounded who have their work ethic intact".

He fears that the bottom 30 per cent – "second or third generation unemployed, living in a world of drugs and crime" – are beyond reach of an organisation like the GDA.

About these people Mr Robin Boyle, formerly at Strathclyde university's centre of planning, wrote recently: "Glasgow's poor are simply no longer part of the city. In economic, political or social terms, their alienation from urban life is almost complete."

"Years of isolation bred hopelessness; the response of the very poorest has been to withdraw into a personal world of survival, far removed from city centre renewal, waterfront housing and new shopping centres."

Mrs McFadden, who recently replaced the powerful Mr Pat Lally as Labour leader on the council, voices a similar anxiety. "I've always said Glasgow's *Miles Better* only referred to the centre of the city. It was a sick joke for people living in damp houses in Easterhouse."

Like many leading people in the city she expresses a longing for a revival of manufacturing in Glasgow. The great

KEY FACTS	
LOCAL AUTHORITY:	Glasgow District Council
CHIEF EXECUTIVE:	Thomas T. Moraghan
CHIEF PLANNING OFFICER:	James H. Rae
AREA:	20,267 hectares
POPULATION 1992:	625,630
POPULATION 1981:	631,205
AGE STRUCTURE:	0-19 176,783 20-54 326,451 55+ 127,971
EMPLOYMENT BY SECTOR:	
Primary:	5,702
Manufacturing:	57,443
Construction:	24,558
Services:	282,182
TOTAL:	349,885
MAJOR EMPLOYERS:	
Barr & Stroud Ltd; Howden Group PLC; Weir Group PLC Eng.; Kvaerner Govan Ltd; Yarrow Shipbuilders; BAE Systems Ltd; National Savings Group; Scottish Amicable; Scottish Mutual (Insurance); Alexander Stenhouse Ltd (Insurance brokers)	
AVERAGE HOUSE PRICES:	3-bed Semi-detached: £54,000 4-bed detached: £39,000
PRIME RENTS:	
Office:	£20.00 per sq ft
Industrial:	£4.25 per sq ft
Retail:	£125.00 per sq ft (zone A)
AIRPORTS:	Glasgow (20 minutes from City)
RAIL TRAVEL:	Glasgow/London 5hrs 5 minutes 17 trains per day
ROAD TRAVEL:	
London:	8 hours 13 minutes
Manchester:	3 hours 19 minutes
Aberdeen:	2 hours 30 minutes
Southampton:	6 hours 59 minutes
NEAREST CHANNEL TUNNEL FREIGHT TERMINAL (projected):	Mossend, Lanarkshire
GRANT STATUS:	Development area
UNIVERSITIES:	University of Glasgow, University of Strathclyde
POLYTECHNICS:	Glasgow Polytechnic
SCIENCE PARK:	West of Scotland Science Park

Information researched by National Enterprise Limited, producers of social and demographic information for relocation purposes. Tel 0783 6225

expansion of jobs in services, she says, is "very worrying because these jobs do not pay as well as those in manufacturing, tend to involve women rather than men and, especially in tourism, are vulnerable to recession".

Where does Glasgow go now? The city council and the GDA have formed a strong partnership which will continue the strategy of developing service industries such as tourism, and attracting more companies to set up branch or head offices in the city, and, it is hoped, factories.

Mr Gulliver says a long term policy of upgrading skills and performance throughout the businesses of the city is essential.

Michael Kelly, who as Lord Provost launched the Glasgow's *Miles Better* campaign and now runs a public relations agency while also advising

other British cities on how to stage recovery, believes a big new initiative is needed to succeed the garden festival and the city of culture ventures. "I've suggested we celebrate the ending of World War two, possibly in conjunction with other European cities".

He rejects the idea that this approach to reviving a city is purely cosmetic and does not produce lasting effects. "Why do women use cosmetics? Because they are effective."

But the calm Mrs McFadden says Glasgow no longer needs spectacular new events to follow up the garden festival and the city of culture year. "We don't need a big event every so often any more. A lot of the groundwork of recovery has been done. What Glasgow needs now is constant marketing to proclaim our advantages and attract both visitors and companies."

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GLASGOW 2

Glasgow puts a brave face on recession, says James Buxton

The importance of image

RECESSION has cast a pall of uncertainty over Glasgow, and yet in strictly relative terms the city is suffering less from the downturn than many others.

The recession came late to Glasgow, as it did to the rest of Scotland. Unemployment in Glasgow was still falling just over a year ago when it was rising fast in southern Britain, and at that time the city's commercial property market was only beginning to experience a downturn. Even now unemployment is only 1.5 per cent higher than in October 1990.

The good news, however, is purely relative because overall unemployment in Glasgow is high at 15.5 per cent, with male unemployment at 21.6 per cent and the rate of joblessness in some areas running at 30 per cent or more. Much of Glasgow is still doing reasonably well, but the improvement of recent years has not brought unemployment down to a level most people would consider acceptable.

The continuing recession is having a depressing effect on morale. Mr Stuart Gulliver, chief executive of the Glasgow Development Agency, says the task of medium term development is made more difficult by the stodgy economic climate. "You go along to a company to offer assistance with improving the skills of its workforce and you find employees being made redundant almost while you are speaking to them."

But the emphasis on Glasgow's long term recovery and the initiatives being taken to accomplish it sometimes distract attention from the fact that the city is a fundamentally vibrant place. Although its population is now less than 700,000 and slowly dropping, it is the centre of services for an area of more than 2.5m people, and Scotland's largest consumer market.

Being a centre of service industries may not have the prestige that Glasgow once enjoyed as a big manufacturing centre, but manufacturing in the city has been in decline since the second world war. Even 10 years ago some 100,000 people were employed in manufacturing in Glasgow while now the number is 55,000.

Yet some of the survivors of that industrial holocaust are doing well. There are now only two shipyards on the Clyde but both have virtually full order books. Kvaerner Govan, the Norwegian-owned merchant ship building yard, last year won orders worth £300m for four chemical tankers and with other ships under construction has a full order book until 1995.

Across the Clyde, Yarrow, part of GEC, earlier this year won a £400m contract to build three frigates for the Ministry of Defence. At Cathcart, West Group, which had to be rescued from impending collapse in 1991, is virtually unaffected by recession as one of the

world's leading pump manufacturers and is making rising and substantial profits.

However other engineering companies are doing less well. Barr & Stroud, an offshoot of Pilkington which makes optical equipment for defence, has halved its workforce to under 1,000 in the past two years. The Rolls-Royce components plant at Hillington has shed 750 jobs in the past year.

Glasgow is also a centre of food and drink processing, with a large biscuit-making plant of United Biscuits and several whisky operations, including important parts of United Distillers and the head-

Much of Glasgow is doing well, but unemployment is still unacceptably high

quarters of Whyte & Mackay, as well as textile makers including Coats Vuyella.

Both the GDA and the district council are anxious to attract new manufacturers to Glasgow. However, they accept that manufacturing companies are primarily attracted to the nearby new towns of East Kilbride and Cumbernauld rather than Glasgow.

Nevertheless, a joint effort is being made by the GDA and the district council to create a cluster of appealing sites with private sector help and lure medium-sized manufacturing operations to the city.

The prime objective, however, is on expanding the service industries of the city. Glasgow firms provide professional services such as legal work, accountancy, advertising and public relations.

Glasgow is a second tier financial centre. Its branch of the International Stock Exchange has the only remaining trading floor in Britain and Glasgow is the headquarters of Allied Provincial, a chain of provincial stockbrokers which operates all over Britain. The fund management company Murray Johnstone has more than £3.4bn under management. The Clydesdale Bank which has its headquarters in the city has been reviving steadily since 1987 when Midland Bank sold it to National Australia Bank. However it recently shed 700 jobs at its head office, bringing staff numbers there down to 2,400, as part of an efficiency programme to take full advantage of automation.

Last year, Glasgow became home to one of the FT 100 companies when Scottish Power, formerly the South of Scotland Electricity Board, was privatised. It too has been shedding staff as efficiencies are made. Another significant development on the corporate front was the recent buyout by its management of George Outram, publishers of *The Herald*, the west of Scotland's leading

daily newspaper, and the Glasgow Evening Times. Outram was sold for £74m by Lorrho and is now called Caledonian Newspaper Publishing.

Glasgow is the centre of the Scottish media industry and the home of Scottish Television, a quoted company, which pulled off a coup by successfully bidding only £2,000 to retain its franchise.

For several years the Scottish Development Agency and its successor, the GDA, have worked with the private sector to improve office accommodation in the centre of the city and attract companies needing a Scottish headquarters, or even fully fledged head offices. Some 18 organisations established offices in Glasgow between 1986 and 1991, promising a total of 7,300 jobs.

These included BP Exploration's headquarters for northern Europe (600 jobs moving from southeast England), a British Airways tele-sales office (creating 350 posts) and two offices of the Department of Social Security (creating a total of 900 jobs).

However, 2,000 of the 7,300 promised jobs were in the Census Office for the processing of the 1991 census of Britain; the luring of this office to Glasgow was a considerable coup for the city, but the jobs are naturally temporary, and numbers employed are now falling.

Worse, BP Exploration said

this month that it was moving its Glasgow operation to Aberdeen over the next year or so, at a cost to Glasgow of 350 jobs. The process of attracting incoming companies to Glasgow is now virtually stalled by the recession and many of the jobs that have been created are for women, so the policy has little direct effect on the high male unemployment.

Glasgow has shown its customary energy in promoting itself as a tourist destination based largely on the attractions of its cultural resources and events. In 1990, 3m visitors came to Glasgow, the year it was European City of Culture, a venture which created a positive net economic return to the regional economy of between £10m and £14m.

Progress is thus being made but the high level of male unemployment is shorthand for misery and frustration on the periphery of the city which the enriching of the centre can only partially cure.

Professor Alan MacGregor of Glasgow University has a sober conclusion on Glasgow's economic progress in the past few years. "There has not been a recovery in Glasgow's position, but the city has created a positive image that is a base for recovery," he says. "What you can say is that we're in better shape than we were before to move forward if the economy improves."

New offices spring up to house the service sector economy

Buildings for commerce

FOR several years the private and public sectors have collaborated in improving and expanding the office stock in the heart of Glasgow, as part of the policy of making it a centre of service activities and attracting new businesses.

The Glasgow office property market began taking off from 1987 as developers became aware of the city's new potential. A surge of activity began as developers rebuilt or heavily refurbished the office buildings in the business core of the city around St Vincent Street.

Part of the pressure came from local businesses such as solicitors, accountants, stockbrokers and advertising agencies who were expanding rapidly and found that their existing offices were both too small and inappropriate for the computer age.

The Scottish Development Agency, which in Glasgow was the forerunner of the Glasgow Development Agency, had been trying for several years to persuade developers to look at new sites in Glasgow. It had identified areas of derelict or semi-derelict property adjacent to the core of the city to which it envisaged the city's office area expanding, and thus attracting company headquarters or large branch offices to Glasgow.

As Mr Ted Webster, senior partner of the chartered surveyors Richard Ellis, used to

point out in the late 1980s, improving the accommodation of indigenous Glasgow businesses was essential to the process of attracting newcomers. "You've got to have the local business community well-housed before you can get many people to come in from outside," he said.

From the late 1980s many buildings around St Vincent Street and West George Street

Pressure came from local firms with offices which were too small for the computer age

were refurbished or rebuilt, often behind their original facades if these were subject to preservation orders. Office rents in the central business area, which comprises about 8m sq ft of office space between George Square and Charing Cross (the total rises to 12m sq ft including the Park area immediately to the west), increased from about £8 per square foot for space in prime locations in 1987 to reach a sustained average peak of about £18 in 1989.

According to Mr David Rooney of the chartered surveyors Lambert Smith Hampton, the market reached its zenith in that year, with some deals being done at £20. It was not until the end of 1990 that the

recession began to be felt seriously in the Glasgow property market.

Now the market presents a more depressing picture. New development starts have come to an end and Richard Ellis calculates that about 650,000 sq ft of office space is available for rent, with a further 224,000 sq ft due for completion before the end of the year.

Whereas the annual take-up of quality office space was running at 500,000 sq ft in the late 1980s, it fell to 165,000 sq ft in 1991 and only 165,000 sq ft had been let in the first five months of this year.

Mr Rooney says that Glasgow is experiencing the tail-end of the 1980s boom as the last projects initiated in that period come to completion, and "no one has the appetite to start new construction on the gap sites". Much of the overhang consists of second hand office accommodation, 10 to 20 years old, which has been vacated by businesses trading up to more modern premises.

This accommodation will be difficult to shift for the time being, he believes, as rents are being driven down by aggressive negotiators.

Yet people in the property industry are not as gloomy as one might expect. Mr Webster says: "It is not a sign of ill-health to have empty buildings. If there wasn't any, people looking for space would go away again." Glasgow, he points out, traditionally has a stable office property market with demand growing steadily.

because of the size of the city's hinterland and its large potential workforce, but not outpacing supply, which grows because of the relative ease with which new developments can get underway.

The largest single empty building, Tay House, which covers 160,000 sq ft with a wing built on a bridge across the M8 motorway, would be suitable for any company seeking a large amount of high quality space for immediate occupation.

The decision of BP Exploration announced this month to leave its headquarters in St Vincent Street in the next year or so will free more high quality office space, although some space has already been taken by Abbey National.

Mr Ken Campbell of Knight Frank & Rutley says there is now "a brake on the market which I see running for the next 12 months. But we are not in free fall: there is no resemblance here to London."

The most significant new development in the Glasgow's office property scene is the Broomielaw project. For years the business district has been gradually expanding south from St Vincent Street towards the river Clyde. The Broomielaw project, leapfrogged straight to the riverfront, involves creating nearly 1m square feet of top quality office space in an area which in 1987 consisted of semi-derelict warehouses and shops.

James Buxton

Education is one of the biggest employers, says Stewart Dalby

University challenge

FURTHER education occupies an important place in Glasgow. Currently there are two universities and eight colleges which between them have about 80,000 students. Some 12,000 people are directly employed by the colleges making further education the single largest employer after government departments including health organisations.

The universities include the University of Glasgow, the second most ancient university in Scotland and one of the oldest and largest in the UK. It was founded in 1451. Then there is the University of Strathclyde, founded in the 1960s.

At the other end of the scale Glasgow Polytechnic should in the next few months, barring last minute hurdles, unite with Queen's College in the city and become Queen's University with around 11,000 students. Similarly, Paisley College, located in Paisley to the west of Glasgow, should soon be designated Paisley University. This will give Glasgow four universities.

Whether the universities are ancient or newborn, all of them have been encouraged in the past decade by the government to be more businesslike in the way they run themselves and more entrepreneurial in finding new sources of funding.

This can mean forging closer links with industry and the visitor's centre and the museum, and art gallery, the sales of research and other services makes up more than 10 per cent of total revenue.

The University of Glasgow

For a decade, colleges have been urged to be more businesslike in their management and to generate more of their own funds

claims to be the largest science-based university in the UK outside London and also has one of the largest medical schools. It also has a veterinary medicine department. Its most over-subscribed undergraduate course is film and theatre studies.

With its size and range - there are 21,000 students altogether - Glasgow University is well placed to develop closer research and technology crossovers with industry.

Mr Mike Brown, the press and information officer and Mr Richard Blackmore, the intellectual property manager, outline some of the projects the university has been involved in. The veterinary department has developed Viro, a vaccine for cattle. The department of naval architecture is heavily involved in research for platform safety on oil rigs in the North Sea.

The Glasgow University Archaeological Research Division (GUARD) of the Department of Archaeology has been associated in research for upgrading the A47 road to motorway standard.

The university's department of cardiology is involved with Siemens-Elema of Stockholm to market software for the Computer Assisted Reporting of Electrocardiograms (CARE). This has been called the software for heartbeats programme.

In all, Mr Brown estimates that the university derives

£14.5m from sales of research, technology and other forms of liaison with industry. This is distinct from funding by the government Research Council. Taken together with other ancillary activities such as the visitor's centre and the museum, and art gallery, the sales of research and other services makes up more than 10 per cent of total revenue.

Sir William Kerr Fraser, the principal and vice chancellor, says: "We attach enormous importance to our links with industry and our research in science and medicine. Given what Glasgow is trying to do in developing new industries, we have an important role to play. We supply new graduates in a wide range of disciplines. Our staff are available for consultancy and there are areas such as health care, where our research can be important."

The University of Strathclyde is similarly business-minded. The university started life as the Royal College of Science and Technology in 1796. It currently has 9,000 students in four departments and 3,000 staff.

Dr Hugh Thomson, the university's director of research and development, says: "We are highly collaborative with industry. When I last did the calculation I estimated that between 14 and 16 per cent of our income came from research contracts or technological crossover."

The crossover extends across a wide range of subjects. The faculty of engineering worked with industry in developing aids for the disabled and in the replacements of joints for sufferers from rheumatoid arthritis and similar complaints.

The Faculty of Science is active in waste biotechnology. One research project funded by Rhône-Poulenc aims to establish a bank of microbial organisms which interact in the absence of oxygen. After testing to establish the effects of environmental variables such as temperature and moisture content the idea is that these microbial associations will then be used to target specific waste streams, breaking down the waste and controlling pollution.

Dr Thomson gives an exam-

ple of where pure research has come to have a valuable commercial application: the department of pharmacy within the department of science developed a muscle relaxant drug called atracurium. This is marketed by the Wellcome corporation in the US.

In the university's accounts for 1991-92 royalty income from atracurium was £1.2m. "Atracurium started life as a pretty

With the change in the status of Glasgow Polytechnic and other places of learning, the city will soon have four universities

academic exercise," Dr Thomson says.

Another example of entrepreneurial spirit is to be found in the Strathclyde Business School, which

has just completed a new £11m centre. It is expected eventually to become self-financing through the sale of contracts and other services.

Surprisingly, given the assumed success of science parks in England like those at Cambridge and Warwick, the West of Scotland Science Park, in which both Glasgow University and Strathclyde have an interest, is not deemed to work too well - at least by Dr Thomson.

"It works perfectly well as a business park. But there has not been real crossover with the universities. I don't know why exactly. I suppose if it were not 20 minutes drive away things would be easier. But we are trying to develop small incubator units here where companies involved in technology can set up and avail themselves of research and expertise," Dr Thomson says.

Dr Thomson says he would not advise people to read too much into what he says about the science park. "There is a lot of collaboration with industry. Glasgow has become a dynamic place in recent years. There is a lot of buzz, a lot of self confidence. The universities are very much part of the revival."

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Land and subsidies bring in the investors

Attractions galore

GLASGOW has for the past 10 years been vigorously trying to attract new businesses. The city on the Clyde urgently needed to replace some of the thousands of jobs lost in shipbuilding and engineering.

The city has concentrated on building itself up as a service centre based on retailing, tourism, financial services, scientific research and providing companies with regional headquarters. It would also like to encourage manufacturing, but has not done as well as a number of other places in Scotland.

Professor Alan MacGregor, of the social and economic research department at Glasgow University, says: "People still think of Glasgow as an industrial city but it has not been an industrial city for a long time now. Manufacturing occupies only 16 per cent of the workforce. Apart from that, anything else there is not the land available for manufacturing."

"Manufacturers nowadays generally want greenfield sites. There have been lots of manufacturing companies drawn to places close to Glasgow like East Kilbride. But in the city itself, like other cities, there is not the room."

In setting out its stall to attract service companies, Glasgow has a formidable array of attractions. It is a development area so that companies qualify for Regional Selective Assistance (RSA) from the Scottish Office Industry Department.

Through Strathclyde region, Glasgow receives assistance from the European Social Fund directed at people through training programmes, and from the European Regional Development Fund which is aimed at infrastructural improvements. There is also EC money available for former coal and steel producing areas.

This all amounts to a considerable subsidy to Glasgow, some of which filters through to individual companies. The Economic Policy Unit of the City Council estimates that Regional Selective Assistance alone can account for 30 per cent of fixed project costs.

On top of this, much of the work of the Scottish Development Agency, before its winding up in 1991, was devoted to Glasgow. It offered a range of practical and financial assistance and was able to build, rent and sell offices and factories at low cost.

The SDA has now become Scottish Enterprise, which operates through a network of local enterprise companies of which Glasgow's is the Glasgow Development Agency. The GDA can still act as an enabling body in the property sector.

As an example the GDA recently bought 35 acres of the land on which the Glasgow

garden festival was held in 1988 at a cost of £5m. The GDA will look for a private developer for the land when the property climate improves. By putting land into a project as a form of equity the GDA can make the scheme more economical for the developer.

There has been heavy investment in Glasgow's infrastructure. Mr Stephen Ince, the economic development officer at the City Council, says: "We estimate that £2.4bn is likely to be invested from 1991 and over the next three or four years, mostly in offices, shops, transportation and communications."

Much of the office stock in the city centre has been renewed in the past few years, and new offices built. The council's economic policy unit claims that Glasgow's office rents are typically only 35 per cent of those in central London and Paris, and 50 per cent of the rate in Madrid, Milan and Frankfurt.

Wages are similarly low, with non-manual male and female wage rates between only 70 per cent and 74 per cent of the greater London rate. The potential savings of operating in Glasgow increase because of the high degree of labour market stability in the city.

The council estimates that annual staff turnover in service industries in Glasgow is less than 7 per cent, compared with 20 per cent in London and 15 per cent in the south-east of England.

As for high quality staff there are two universities - Glasgow and Strathclyde - with 8,000 students graduating from these and the polytechnics and further education colleges each year.

Communications is another important factor influencing relocation decisions. Here too Glasgow scores highly: it is relatively free of congestion for a big city. Glasgow is the only major city with a motorway running through its centre.

The suburban rail network, underground and bus links form one of the most comprehensive in Britain. There are inter-city rail connections to all major UK cities. Glasgow airport is less than 15 minutes from the city centre. It provides flights to 60 domestic and international destinations including more than 180 flights a week to London.

Finally the city prides itself on its quality of life. Like many towns and cities in Britain, Glasgow can claim that employees can live in pleasant surroundings only a few minutes from work, with no problems parking on arrival, and get swiftly out into the countryside, compared with the hour or so it takes to get to work London. Glasgow

also sees itself as a cosmopolitan city with a vibrant cultural life, including concerts, ballet, opera and restaurants.

With all this, Glasgow has been successful in attracting new service companies ranging from regional headquarters of financial services groups to government departments to software systems and engineering.

In spite of this month's decision by BP Exploration to pull out of Glasgow over the next year or so, the city has attracted 17 concerns involving just under 7,000 net new jobs between 1986 and 1991 (see table).

Unemployment at 14.5 per cent amounts to just under 60,000 jobs. Unemployment is traditionally high in Glasgow but these new jobs in services have made a significant dent in what the overall total might be especially when taken together with new jobs in tourism.

The table shows that Glasgow is on the way to becoming a second tier financial services centre. It has won a fair share of government department relocations and is laying the basis for a research and development network which can lock into the universities.

Stewart Dalby

Major Inward Investments 1986-91

Company/Investment	Status	Activity	No of Jobs	Previous Location
Direct Line Insurance	Regional HQ	Telephone sales & insurance	200	South East
Clydebank Bank Account Unit	Head Office	Accounts administration	100	South East
Barclays Bank Services	HQ	Share settlement & stockholding	250	Start-up
Walford Builders	Export HQ	International export centre	200	Various/centralisation
British Telecom	Research Centre	Software systems & engineering	200	Start-up
Alfred Provincial Services	HQ	Group processing & stockholding	210	Various/centralisation
Royal Insurance	Regional HQ	Insurance	155	Various/centralisation
BP Exploration	Head Office	Oil exploration & production	600	London
Passport Office	Regional HQ	Issuing of passports	70	London
BSB Transnational Payments Office	HQ	Handling benefit administration	400	London
BSB Remittance Payments Unit	HQ	Payments processing	500	London
Census Office	HQ	1991 census processing	2,000	North West
Ministry of Defence	HQ	Pensions and procurement administration	1,400	South East
Colonial Indemnity Compensation Unit	HQ	Claims administration	100	London
TBS Headquarters	HQ	Insurance processing	500	London/Various
British Airways	Regional HQ	Telephone centre	350	Expansion/start-up
Student Loans Co.	HQ	Loan administration	250	Start-up
Referrals Ltd	HQ	Insurance	100	Expansion
TOTAL JOBS (PROJECTIONS)			7,344	

SLUM TRANSFORMATION

Posh Gorbals

ine and clearances. So overcrowded were the buildings that a system known as "ticketing" was introduced, which stipulated the numbers who could live in a four storey building. By the 1980s one seventh of Glasgow's population lived in ticketed buildings.

With industrialisation people continued to pour in. By the early 1900s, the still elegant stone facades of Hutchesontown in the centre of the Gorbals concealed a hidden Glasgow. Families ate, slept, gave birth and died in one room.

The cheap housing attracted further immigrants from Ireland and Eastern Europe and from Pakistan. These added their own cultures to the distinctive street life of the area. But the area became best known for the violence of the so-called razor gangs. By the 1950s the Gorbals had the worst slums north of Naples.

The post-war planners in Glasgow decided to start from scratch. The first area in the city to be tackled was Hutchesontown/Gorbals. The Hutchesontown Redevelopment Plan was finally approved in 1957. The area was to be a green city of tower blocks.

It was not a success. The communities felt cut off and alienated. Within a short time the tower blocks - built using the "tracolin" method of system building imported from Algeria - suffered from dampness and condensation. Lifts broke down. The dampness proved incurable. By 1962 the last residents were moved out. Five years later Hutchesontown - the most notorious of the blocks - was demolished.

The Gorbals, on the south bank of the River Clyde only five minutes from the city centre, was once a respectable middle class area. Then from the 1880s the once fashionable four storey tenements in the area were occupied by Irish immigrants and Highlanders driven to the big city by fam-

There are 40 acres standing empty in Hutchesontown owned by the city council. It is here that the Crown Street regeneration project will take place. The plan is to build 1,000 four storey tenements. The first two floors will be three and four bedroom maisonettes with gardens back and front. The top two floors will form a single level one and two bedroom apartments.

Twenty five per cent of the dwellings will be for rent with the rest for owner occupation. The entire project will cost £30m. Scottish Homes has put up £9m as seed money (in England it would be defined as city grant.) Because the council owns the land, and there is a high level of subsidy, the housing that is not for rent will be cheap. Maisonettes will start at £50,000 and flats at £22,000.

Mr Mike Galloway, the direc-

TOURISM has been one of the key elements in the renaissance of Glasgow.

In 1982 there were 700,000 visitors to Glasgow, many of them day trippers. By 1990 the number had risen to 8m. Of these, 1.6m were staying visitors with an average stop of two nights. Around 600,000 were from abroad.

It has been estimated that the total tourist "spend" in that year was £217m accounting for 10 per cent of tourist spending in Scotland as a whole. In terms of foreign visitors, the amount spent was £109m or half the total. This accounted for almost 20 per cent of the Scottish average.

Glasgow became the third most popular short break destination in the UK after London and Edinburgh.

According to the Greater Glasgow Tourist Board 22,000 people in Glasgow were employed in tourism in 1990 out of a labour force of 350,000. This figure does not include the self-employed and represents 6.3 per cent of the workforce.

How has this transformation come about? Admittedly, 1990 was exceptional, marking Glasgow's designation as the EC City of Culture and last year, visitors again dropped back a little.

But the City of Culture year was only a stage in a concerted drive by the Labour-dominated city council to diversify the city's economy.

First, it would spruce up the city centre. Second it would develop retailing at all levels.

TOURISM

A lot to offer

Third it would win inward investors from financial services, government departments and high technology companies. Finally, there would be an attempt to exploit its rich cultural heritage to attract visitors.

Glasgow claims to have the largest cultural infrastructure in the UK outside London and has some 200 cultural and performing arts organisations.

The authorities' attempts to increase tourism received a lift from set-piece events such as the Glasgow Garden Festival in 1988 visited by more than 4m people in five months.

Then there was the City of Culture year in 1990. Some 3,700 events of different sizes were staged throughout the year. A report on the year's impact on Glasgow, by Professor John Myerson, an economist specialising in the economic impact of culture, concluded that: "The initiative generated a positive net economic return to the regional economy of £10.3m to £14.1m.

Extra employment arising from Glasgow 1990 was estimated at 5,350,580 person years." The year of culture also attracted about 600,000 extra visitors. But although culture spearheaded the campaign to develop tourism it was not the whole story.

The Scottish Exhibition and Conference Centre can house concerts for 10,000 and has seen performers as diverse as Pavarotti and Paul Simon in recent years. But its main function is to house trade shows and conferences in its five halls.

Business visitors are another important element of Glasgow's tourism drive. There are a number of four star business hotels like the Holiday Inn and Forte Crest. Next April the city will get its first 5-star hotel with the opening of the Glasgow Hilton.

The 300-room hotel costing over £36m will include a grand ballroom for up to 1,000 people, a specialist conference centre and 11 boardrooms. Mr Ronald Roy, the chief executive of the Greater Glasgow Tourist Board and Convention Bureau, reckons the importance of business tourism should not be underestimated. He says, "rounded up I estimate that about half the £200m-odd Glasgow earns from tourism comes from business visitors, particularly conferences."

In other areas organisations such as the Glasgow Development Agency, the Glasgow District Council and the Confederation of British Industry in Scotland are involved in initiatives on the estates. Professor MacGregor says, "It is early days for the initiatives. But it is not true to say that the city council is spending money on tarring the centre and on the arts that it should be spending on the estates. It is doing both."

Stewart Dalby

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COMMODITIES AND AGRICULTURE

Copper climbs to 7½-month high

By Kenneth Gooding, Mining Correspondent

COPPER SUPPLY fears helped to lift prices of the metal yesterday. On the London Metal Exchange copper's price reached its highest level in seven and a half months while on the New York Commodity Exchange (Comex) futures contracts touched lifetime highs.

Traders suggested the market was particularly concerned that labour contract negotiations at Asarco, the big US

copper group which produces about 450,000 tonnes a year, were making slow progress. There were also labour tensions in the Polish copper industry and bad weather had affected Chile's output.

However, analysts said copper's fundamental situation was bullish. Mr William Adams at Rudolf Wolff said it now seemed likely that, instead of the 50,000 tonnes surplus expected at the beginning of this year, there would be a 100,000 tonnes copper deficit in 1992. Mr Robin Ebar at

Carr Kitcat & Atken has lifted his copper price forecasts for this year from \$1 a lb to \$1.05 and for 1993 from \$1.05 to \$1.15 a lb.

On Comex the July copper futures contract touched a lifetime high of \$1.05.90 a lb at one point yesterday morning, up 11 cents from Tuesday's closing level. At the LME the price of copper for immediate delivery closed last night at \$1,245.50 a tonne, up 25.50, while three-month metal ended at \$1,263.75, up 26.50 a tonne.

Study group sees market remaining in broad balance

By Frances Williams in Geneva

THE WORLD copper market is likely to remain in broad balance this year as a modest rise in consumption is matched by increased supplies, according to industry experts attending this week's inaugural meeting of the International Copper Study Group in Geneva.

The group, set up last January, brings together government and industry representatives from 18 producing and consuming countries representing over 80 per cent of world copper trade. Zambia, the third biggest copper exporter, has asked its intention to join the group and Japan, the biggest importer, says it will join if the terms of reference can be amended. This would increase the proportion of copper trade covered by the group to 75 per cent.

Russia, once one of the top three copper producers, has also expressed an interest in joining. Mr Alexei Shevtsov, a senior Russian official, said

Moscow was ready to provide data on production and consumption and was interested in information on technology, environment and investment. The group is designed to improve copper market information and undertake regular assessments of the market situation and outlook. However, this first meeting, which ends tomorrow, attended by over 100 delegates from about 30 countries, has been dominated by procedural and administrative issues. These include the location of the group's headquarters, appointment of a secretary-general and the initial work programme and budget. Lisbon, Santiago and Montreal have all offered to host the organisation.

Commentaries on the market situation presented to the meeting indicate that while there are already signs of a pick-up in demand for copper in the US market, this may be offset by stagnant consumption in the recession-hit Japanese and European markets. An unpublished Canadian govern-

ment assessment suggests that continued overall growth of world copper output could put some downward pressure on prices this year, assuming no major supply disruptions. "While copper consumption is expected to experience significant growth beginning in 1993, prices to 1995 are likely to be adversely affected by further increases in copper mine capacity," the assessment says. However, it predicts that prices will subsequently strengthen with strong demand and a slowdown in the growth of world copper supply.

The Canadian view appears to be generally shared by copper producers, though some producer countries are more optimistic. Mr Ernesto Tironi, Chile's representative at this week's meeting, said rising demand coupled with production problems in Peru, Zaire, Zambia and the former eastern bloc countries could lead to demand outstripping supply by end-1992 or early 1993. Chile is by far the world's biggest exporter.

Ghana polishes up gold coast image

Julian Ozanne on massive new investment in an underdeveloped, high potential area

GHANA'S METEORIC gold boom continues unabated as a result of stable economic policies and massive new investment in one of the least developed high potential gold belts in the world.

According to the Minerals Commission production surged last year to 844,774 troy ounces - a 56 per cent increase over 1990 production. The government is predicting that the 1992 output will be even higher. Ghana has ever produced in its history, will be reached this year as new projects come on stream and operational difficulties in the major expansion activities are ironed out.

Foreign exchange earnings from gold are forecast at US\$350m in 1992, making gold, for the first time in more than two decades, Ghana's number one foreign exchange earner.

The gold mining boom is directly attributable to the government's overhaul since 1983 of the restrictive investment laws and incentives in the mining sector, its commitment to a radical economic adjustment programme and its flexible approach to foreign investors. Since 1983 at least \$500m has been invested in the sector.

Last year's huge production increase was clearly evidence to date of the successes of government policies. The giant of Ghana's gold industry Ashanti Goldfields Corporation, owned 65 per cent by government and 45 per cent by Lonrho, increased its production to 569,452 ounces, up 42 per cent

from 1990, as a result of the opening of its new Sansu oxide plant and the continuing rehabilitation and development of its underground mines.

Two other projects also became fully operational last year - the \$100m Billiton Bogusua project, majority owned by the Shell subsidiary Billiton International Metals (Netherlands), produced 61,678 ounces in 1991 and Teberebie Goldfields, majority owned by Pioneer Incorporated of Boston, produced 79,111 ounces. These projects are expected to produce at least 100,000 ounces a year each when initial operational difficulties have been overcome.

The future looks promising and the government is estimating annual production of 2m ounces by 1996. Several new projects, with ultimate estimated capital investments of up to \$800m over five years are scheduled to take off in the coming months to increase production levels still further. The first, and most exciting, development is the privatisation of the two underground mines at Prestea and Tarkwa, owned by the State Gold Mining Corporation. Both mines, which last year produced a combined 48,000 ounces, have extremely high potential but have been severely constrained by poor management and inadequate new investment. Because of dilapidated equipment and outmoded mining methods they have production costs of about \$350 an ounce.

Mining operations in both areas have so far concentrated on narrow, relatively high grade veins. Proposals for buying the mines have been submitted by, among others, two South African mining houses, Rand Mines and Gold Fields of South Africa, and by Billiton International Minerals. Both mines have considerable potential for expanding underground production and developing new surface mining operations of oxide and sulphide ores. One mining expert believes that if investment of \$150m-\$200m is put into each concession both Prestea and Tarkwa have the potential within three or four years to produce in excess of 200,000 ounces a year each. The Tarkwa mine has geology very similar to the vast gold deposits in South Africa's Witwatersrand area and the South African bids are tipped as the front runners. A government decision on the privatisation proposals is expected very soon.

The second major expansion of reserves and production is being undertaken by Ashanti Goldfields Corporation, which has set a production target of 1m ounces a year by 1996. A recent evaluation of reserves by Minpro Engineers is believed to have suggested reserve levels of at least 20m tonnes with grades in the range of six to eight grams per tonne. A new financing package of about \$250m for the next four years is being put together by the company at the moment. To reach the 1m

ounce level major capital investment is required in continued expansion and mechanisation of underground operations, development of additional open-pit oxide and sulphide reserves and installation of new refractory ore treatment facilities with capacity of at least 3m tonnes a year. Mechanisation and new investment will also help AGC to reduce its costs of production, currently at about \$260 to \$270 an ounce at the Obuasi mine, to the \$200 an ounce achieved by Teberebie, Bogusua and AGC's own new Sansu oxide operation.

The government has also said that it is preparing to divest itself of 20 per cent of the equity in AGC by December 31, 1992, and is considering a joint placement on the London and Accra stock exchanges.

Ghana-Australian Goldfields, majority owned by Golden Shamrock Mines of Australia, is scheduled to start production in September with reserves estimated at about 15.9m tonnes and an average grade of about 2.1 grammes a tonne. Estimated annual production is 100,000 ounces with a total capital cost for the project of about \$60m.

In addition decisions will be taken within the next 12 months on two more medium-sized, low-grade open-pit mining projects.

Chief Mining (UK and Zimbabwe) has completed a feasibility study for a significant

discovery at Ayanfuri, in Western Region, with estimated reserves of 7m tonnes and an average grade of 2 grammes a tonne. The company has undertaken a rights issue to raise \$15m on the London Stock Exchange for a total estimated capital investment of \$25-\$30m, which is expected to produce 40,000-50,000 ounces a year.

Abosso Goldfields, majority owned by Ranger Explorations of Australia, is seeking finance for a drilling programme to confirm and expand reserves. So far 3m tonnes of resource have been identified with an average grade of 2 grammes a tonne.

In addition to these new projects, Teberebie and Bogusua are planning expansion programmes to realise production of 125,000 and 140,000 ounces a year respectively.

Since Ghana, known as the Gold Coast in colonial times, started gold production at least 40m ounces have been mined. Considerable expansion is under way as well as efforts to reduce production costs among all producers to \$200 an ounce. But mining experts point out that most recent mine developments and exploration has occurred in established areas. Many other areas with known prospects and favourable geology have yet to be explored systematically. Such exploration, encouraged by further liberalisation of investment laws, could produce results to make Ghana a major world producer for decades to come.

Uganda in \$54m cobalt development

By Kenneth Gooding

UGANDA SIGNED a development agreement for a \$54m project yesterday that should see that country become a substantial cobalt producer, contributing about 5 per cent of western world output by 1995.

Barclays Metals of the UK, part of the Barclays Bank group, is marketing agent for the project, and BRGM, the state-owned French mining group, is the technical agent. Each will have a 27.5 per cent stake with the Ugandan government owning the rest.

"The aim is to produce for at least 15 years an annual 1,000 tonnes of cobalt - an essential metal in some of the superalloys used by the aerospace

industry and for some motor industry products - from waste dumps at the old Kileleshwa copper mine on the edge of the Queen Elizabeth National Park in south-west Uganda.

The partners plan to build a pilot plant as part of a detailed \$4m feasibility study over the next 12 months. This will provide the basis for a full scale, \$50m, bioleaching, solvent extraction and electrowinning plant at Kaseke.

Copper production stopped there in 1972 since when various methods to recover cobalt have been looked at and found to be either too expensive or too polluting. However, BRGM (Bureau de Recherches Géologiques et Minières) has developed a method where *thiobac-*

illus ferro-oxidans, a naturally occurring bacteria that is being used by some copper, gold and uranium miners to liberate metal from ore, can be employed.

The partners claim that bioleaching is not only the least costly way of extracting Uganda's cobalt, it is also the most environmentally friendly method. They suggest cobalt can be produced profitably at its long-term historic average price of \$10 to \$12 a lb. Cobalt is at present about \$25 a lb on the European free market, having doubled in price recently following production and political problems in Zaire and Zambia which between them account for about 70 per cent of western production of the metal.

Weak brew for Sri Lankan tea sector reforms

Mervyn de Silva on the government's partial privatisation of the plantations sector

SRI LANKA has been forced to undertake its most ambitious privatisation exercise in an attempt to revive its tea industry.

However, only the management of the estates is being taken over by the private sector. Overall control, including hiring and firing, will still be in the hands of political appointees, a fact that is causing some concern to aid donors such as the World Bank.

In an attempt to sharpen up the management of the estates Sri Lanka - the world's largest tea exporter - is turning back to the expertise of the private companies that made Ceylon tea famous from the time a young English planter called James Taylor planted the first tea bush in 1876.

For the past 20 years, since they were nationalised by the Sri Lanka Bandaranaike, the ownership and management of the

island's largest tea, rubber and coconut estates has been vested in the State Plantations Corporation and the Peoples Empowerment Board.

Traditionally by British planters and centralised control over the state-owned plantations has led to waste, corruption and mismanagement. Continuing losses and the prospect of a drop in production this year because of a drought has forced the government's hand.

Now the administration of President R. Premadasa has broken up the holdings of the two giant, state-owned tea plantation corporations and the ownership of 452 estates has been transferred to 22 regional plantation enterprises.

The patent need to modernise the tea industry and improve its efficiency has overcome reluctance government to confront problems arising from the island's colonial history, Sinhala/Tamil

racial tensions and troubled relations with neighbouring India. Plantation labour is 90 per cent Indian/Tamil, descendants of workers brought from south India by British planters in the late nineteenth century.

"The point is that we have come to the end of the road," says Mr Rupa Karunatilake, plantation industries minister. "What we need most is professional managers not government-appointed bureaucrats who worship financial regulations and administrative rules". Sri Lanka remains the world's largest tea exporter with 255m kg sold abroad last year. While there was a 3 per cent drop in exports in 1991, far more worrying was the 15 per cent drop in export income.

The turmoil in the former Soviet Union and the financial isolation of Iraq, both major buyers, explains this loss. "But Iran and Pakistan have promised to buy more," says Mr

A.R. Munoor, the trade minister, who recently visited Iran and had talks in Colombo last month with a top-level Pakistani trade delegation.

"We are fully aware of the importance of meeting the challenge of new technologies and consumer tastes," says the minister. "The volume of CTC [cut, tear and curl] tea traded in the world market exceeds the volume of orthodox teas". At present only 3 per cent of Sri Lankan production is CTC, the type favoured in the UK.

The boards of management of the regional plantation enterprises will be selected by the president on Mr Karunatilake's advice. "Competent persons with experience in plantation agriculture as well as in the tea trade will be selected," says a ministry official.

None the less, they will be political appointees, and the temptation to "give jobs for the boys" will remain strong, says

Mr C.V. Gomeratne, an opposition MP. The government admits that "hiring and firing" will be entrusted to the regional plantation enterprises rather than to the private sector managing companies.

The World Bank pointed out recently that Sri Lanka's estates were generating large losses and were important contributors to the losses of the government-owned banks. "While we understand the political sensitivity of the issue and wish the government success in the use of private management contracts, we must note that the international experience with this approach has not been successful where ownership has continued in the state sector," it warned.

Nevertheless, the bank and the International Monetary Fund have recently released \$75m, the second tranche of a \$450m Extended Structural Adjustment Facility.

WORLD COMMODITIES PRICES

MARKET REPORT

An extremely active and extended afternoon fixing session on the London bullion market saw heavy selling before GOLD was fixed at \$342.30 a troy ounce, down \$1.70 from the morning fix. Brokers reported large Middle East sell orders as the fix began, with dealers in New York reporting bids ranging up to 200,000 and 350,000 ounces. Dealers said there was no sign of producers in the market and no initial indications of official selling. London's robust COFFEE prices closed steady and New York arabica futures moved above lifetime lows by midday as the markets awaited developments.

London Markets

SPOT MARKETS	
Credit oil (per barrel FOB)	+0.30
Dubai	\$19.40-0.20 +0.30
Brent Blend (dated)	\$21.50-1.00 +0.25
Brent Blend (Aug)	\$21.50-1.50 +0.25
WTI (1st oil)	\$22.40-0.20 +0.30
Oil products	
GNIE prompt delivery per tonne CIF	+0.30
Premium Gasoline	\$22.00-0.20 +0.25
Gas Oil	\$19.50-1.00 +0.25
Heavy Fuel Oil	\$18.50-0.50 +0.25
Naphtha	\$22.00-0.20 +0.30
Petroleum Argus Estimates	
Other	
Gold (per troy oz)	\$342.30 -0.20
Silver (per troy oz)	\$403.00 -0.20
Platinum (per troy oz)	\$395.50 -0.40
Palladium (per troy oz)	\$950.50 -0.40
Copper (US Producer)	\$1.08.75c +0.11
Lead (US Producer)	\$27.00c +0.08
Tin (Kuala Lumpur market)	\$16.50c -0.05
Tin (New York)	\$16.50c -0.05
US (LME Western)	\$16.50c -0.05
Cash (five weight)	\$10.20p -0.44
Sheep (live weight)	\$7.20c -0.20
Pigs (live weight)	\$6.70c -0.20
London daily sugar (raw)	\$307.47 +0.4
London daily sugar (white)	\$308.02 -1
Tate and Lyle export price	\$292.5
Barley (English feed)	100c
Malta (US No. 3 yellow)	\$14.00c
Wheat (US No. 1 hard)	\$14.00c
Wheat (US No. 2 hard)	\$13.50c
Wheat (US No. 3 hard)	\$13.00c
Wheat (US No. 4 hard)	\$12.50c
Wheat (US No. 5 hard)	\$12.00c
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Wheat (US No. 100 hard)	\$0.00c

Compiled from Reuters

Rate	Close	Previous	High/Low
Aug	245.00	244.00	246.00 243.00
Oct	215.00	221.00	220.00
Dec	212.00	221.00	220.00
White	Close	Previous	High/Low
Aug	230.00	230.00	230.00 228.00
Oct	208.00	207.00	208.00 206.00
Dec	205.00	205.00	205.00 203.00
Mar	271.00	272.00	271.00 270.00

Turnover: Raw 63 (210) lots of 50 tonnes
 White 2314 (181)
 Parle: White (PVP) per tonne: Aug 1986.23
 Oct 1428.03

CRUDE OIL - IPE			
	Close	Previous	High/Low
Aug	21.87	21.59	21.61
Sep	21.47	21.21	21.60
Oct	21.29	21.10	21.50
Nov	21.26	21.01	21.25
Dec	21.16	20.94	21.19
Feb	21.05	20.77	21.07
IPE Index	21.27	20.95	

Turnover 21,29 (18,000)

GAS OIL - IPE			
	Close	Previous	High/Low
Jul	185.00	180.25	185.75 181.50
Aug	185.00	180.25	185.75 181.50
Sep	187.00	181.75	187.25 181.50
Oct	188.00	182.75	188.25 181.50
Nov	207.00	188.75	208.25 181.50
Dec	202.00	188.75	202.25 181.50
Jan	190.00	180.00	201.00 181.50

Turnover 12885 (103,132) of 100 tonnes

WROGOL
 In the closing week of the Australian
 Fremantle large offering of 17,200 bbl
 being auctioned at Sydney, Melbourne
 and Fremantle. The smaller quantity of 25
 tonnes continued on Monday and Tuesday
 with a large quantity being purchased at
 33¢ per cent in Sydney. However, prices
 improved in Wednesday at all three
 centres, delivery by sea being the most
 of good quality, Japan had all three
 strong, and Chinese interest in the
 is thought to have been an important
 The AHSI was the largest buyer with
 331, one three eggs a hq to 542 cent
 with a weak second egg.

FINANCIAL TIMES STOCK INDICES

FINANCIAL TIMES STOCK INDICES

	June 24	June 30	June 30	June 30	June 18	June 18	Year Age	High 1992	Low	Since Completion High	Since Completion Low
Government Securities	86.93	88.55	88.87	88.73	88.75	88.75	53.54	88.82 (28/69)	85.11 (11/61)	127.40 (14/38)	49.18 (27/17)
Fixed Interest	104.34	104.28	104.33	104.36	104.34	92.82	106.92	97.15 (22/75)	102.40 (24/62)	50.53 (31/175)	
Outstanding Shares @	1970.8	1968.7	1980.4	2008.8	1988.4	1921.8		2149.7 (22/8)	1987.8 (24)	2375.4 (25/32)	2304/4
Gold Mines	94.4	97.1	98.7	103.4	103.2	108.8	180.6	94.4 (22/8)	73.4 (24)	43.5 (23/107)	
FT-SE 100 Share	2532.6	2650.6	2550.3	2564.8	2662.7	2481.2		2772.8 (11/75)	2382.7 (14)	2727.8 (11/75)	2663.9 (23/764)
FT-SE Eurotrack 200	1178.88	1185.02	1185.01	1185.73	1185.54	1158.08		1248.78 (11/63)	1120.52 (14)	1248.78 (11/75)	938.65 (23/764)
@Ord. Div. Yield	4.68	4.62	4.65	4.81	4.85	4.85		1992 1991 1990 1989 1988 1987 1986 1985 1984 1983 1982 1981 1980 1979 1978 1977 1976 1975 1974 1973 1972 1971 1970 1969 1968 1967 1966 1965 1964 1963 1962 1961 1960 1959 1958 1957 1956 1955 1954 1953 1952 1951 1950 1949 1948 1947 1946 1945 1944 1943 1942 1941 1940 1939 1938 1937 1936 1935 1934 1933 1932 1931 1930 1929 1928 1927 1926 1925 1924 1923 1922 1921 1920 1919 1918 1917 1916 1915 1914 1913 1912 1911 1910 1909 1908 1907 1906 1905 1904 1903 1902 1901 1900 1899 1898 1897 1896 1895 1894 1893 1892 1891 1890 1889 1888 1887 1886 1885 1884 1883 1882 1881 1880 1879 1878 1877 1876 1875 1874 1873 1872 1871 1870 1869 1868 1867 1866 1865 1864 1863 1862 1861 1860 1859 1858 1857 1856 1855 1854 1853 1852 1851 1850 1849 1848 1847 1846 1845 1844 1843 1842 1841 1840 1839 1838 1837 1836 1835 1834 1833 1832 1831 1830 1829 1828 1827 1826 1825 1824 1823 1822 1821 1820 1819 1818 1817 1816 1815 1814 1813 1812 1811 1810 1809 1808 1807 1806 1805 1804 1803 1802 1801 1800 1799 1798 1797 1796 1795 1794 1793 1792 1791 1790 1789 1788 1787 1786 1785 1784 1783 1782 1781 1780 1779 1778 1777 1776 1775 1774 1773 1772 1771 1770 1769 1768 1767 1766 1765 1764 1763 1762 1761 1760 1759 1758 1757 1756 1755 1754 1753 1752 1751 1750 1749 1748 1747 1746 1745 1744 1743 1742 1741 1740 1739 1738 1737 1736 1735 1734 1733 1732 1731 1730 1729 1728 1727 1726 1725 1724 1723 1722 1721 1720 1719 1718 1717 1716 1715 1714 1713 1712 1711 1710 1709 1708 1707 1706 1705 1704 1703 1702 1701 1700 1699 1698 1697 1696 1695 1694 1693 1692 1691 1690 1689 1688 1687 1686 1685 1684 1683 1682 1681 1680 1679 1678 1677 1676 1675 1674 1673 1672 1671 1670 1669 1668 1667 1666 1665 1664 1663 1662 1661 1660 1659 1658 1657 1656 1655 1654 1653 1652 1651 1650 1649 1648 1647 1646 1645 1644 1643 1642 1641 1640 1639 1638 1637 1636 1635 1634 1633 1632 1631 1630 1629 1628 1627 1626 1625 1624 1623 1622 1621 1620 1619 1618 1617 1616 1615 1614 1613 1612 1611 1610 1609 1608 1607 1606 1605 1604 1603 1602 1601 1600 1599 1598 1597 1596 1595 1594 1593 1592 1591 1590 1589 1588 1587 1586 1585 1584 1583 1582 1581 1580 1579 1578 1577 1576 1575 1574 1573 1572 1571 1570 1569 1568 1567 1566 1565 1564 1563 1562 1561 1560 1559 1558 1557 1556 1555 1554 1553 1552 1551 1550 1549 1548 1547 1546 1545 1544 1543 1542 1541 1540 1539 1538 1537 1536 1535 1534 1533 1532 1531 1530 1529 1528 1527 1526 1525 1524 1523 1522 1521 1520 1519 1518 1517 1516 1515 1514 1513 1512 1511 1510 1509 1508 1507 1506 1505 1504 1503 1502 1501 1500 1499 1498 1497 1496 1495 1494 1493 1492 1491 1490 1489 1488 1487 1486 1485 1484 1483 1482 1481 1480 1479 1478 1477 1476 1475 1474 1473 1472 1471 1470 1469 1468 1467 1466 1465 1464 1463 1462 1461 1460 1459 1458 1457 1456 1455 1454 1453 1452 1451 1450 1449 1448 1447 1446 1445 1444 1443 1442 1441 1440 1439 1438 1437 1436 1435 1434 1433 1432 1431 1430 1429 1428 1427 1426 1425 1424 1423 1422 1421 1420 1419 1418 1417 1416 1415 1414 1413 1412 1411 1410 1409 1408 1407 1406 1405			

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EQUITY FUTURES AND OPTIONS TRADING

EARLY selling by independent traders coupled with the early weakness in the fixed interest markets caused stock index futures to fall to a post-election low in a volatile session, writes Joel Kibazo.

The FT-SE futures contract for September delivery opened strongly at 2,582. This, however, proved to be the high of the day as independent traders holding long overnight positions began selling the contract, sending September into

retreat.

The weakness in gilts, ahead of the gilts auction, also hurt sentiment, but its successful completion was among factors that caused a small rally in September. However, sellers emerged to send the contract to the day's low of 2,566 early in the afternoon, before the firm opening performance of Wall Street helped a bounce before the close. September ended at 2,552, down 3 on the previous session, but around

17 points above its estimate. A fair value premium to cash was about 35. Turnover reached 7,130 contracts.

Turnover in the trade options market was again high, reaching 46,028 lots, boosted by yesterday's expiry of the June stock options. The FT-SE option traded 12,152.

Hanson was the busiest stock option with 5,768 contracts dealt, followed by British Steel on 3,610 lots transacted.

LONDON SHARE SERVICE

BRITISH FUNDS - Cont.

Yield	Unit	Notes	1992		Yield	Unit	Notes	1992		Yield
			+w	low				+w	low	
12.58	6.80	Times 10 to 30 years	100.0	97.0	101.6	6.80	92.0	100.0	97.0	101.6
12.58	6.80	Conversion 10 to 30 years	100.0	97.0	101.6	6.80	92.0	100.0	97.0	101.6
12.58	6.80	Sept 2000-95	99.2	96.0	94.0	6.80	92.0	99.2	96.0	94.0
12.51	6.16	BS 2000-04	99.2	96.0	94.0	6.16	92.0	99.2	96.0	94.0
12.50	6.47	Times 10 to 30 years	100.0	97.0	101.6	6.47	92.0	100.0	97.0	101.6
12.50	6.47	Conversion 10 to 30 years	100.0	97.0	101.6	6.47	92.0	100.0	97.0	101.6
12.50	6.47	Sept 2000-04	99.2	96.0	94.0	6.47	92.0	99.2	96.0	94.0
12.50	6.47	Conversion 10 to 30 years	100.0	97.0	101.6	6.47	92.0	100.0	97.0	101.6
12.50	6.47	Sept 2000-04	99.2	96.0	94.0	6.47	92.0	99.2	96.0	94.0
12.50	6.47	Conversion 10 to 30 years	100.0	97.0	101.6	6.47	92.0	100.0	97.0	101.6
12.50	6.47	Sept 2000-04	99.2	96.0	94.0	6.47	92.0	99.2	96.0	94.0
12.50	6.47	Conversion 10 to 30 years	100.0	97.0	101.6	6.47	92.0	100.0	97.0	101.6
12.50	6.47	Sept 2000-04	99.2	96.0	94.0	6.47	92.0	99.2	96.0	94.0
12.50	6.47	Conversion 10 to 30 years	100.0	97.0	101.6	6.47	92.0	100.0	97.0	101.6
12.50	6.47	Sept 2000-04	99.2	96.0	94.0	6.47	92.0	99.2	96.0	94.0
12.50	6.47	Conversion 10 to 30 years	100.0	97.0	101.6	6.47	92.0	100.0	97.0	101.6
12.50	6.47	Sept 2000-04	99.2	96.0	94.0	6.47	92.0	99.2	96.0	94.0
12.50	6.47	Conversion 10 to 30 years	100.0	97.0	101.6	6.47	92.0	100.0	97.0	101.6
12.50	6.47	Sept 2000-04	99.2	96.0	94.0	6.47	92.0	99.2	96.0	94.0
12.50	6.47	Conversion 10 to 30 years	100.0	97.0	101.6	6.47	92.0	100.0	97.0	101.6
12.50	6.47	Sept 2000-04	99.2	96.0	94.0	6.47	92.0	99.2	96.0	94.0
12.50	6.47	Conversion 10 to 30 years	100.0	97.0	101.6	6.47	92.0	100.0	97.0	101.6
12.50	6.47	Sept 2000-04	99.2	96.0	94.0	6.47	92.0	99.2	96.0	94.0
12.50	6.47	Conversion 10 to 30 years	100.0	97.0	101.6	6.47	92.0	100.0	97.0	101.6
12.50	6.47	Sept 2000-04	99.2	96.0	94.0	6.47	92.0	99.2	96.0	94.0
12.50	6.47	Conversion 10 to 30 years	100.0	97.0	101.6	6.47	92.0	100.0	97.0	101.6
12.50	6.47	Sept 2000-04	99.2	96.0	94.0	6.47	92.0	99.2	96.0	94.0
12.50	6.47	Conversion 10 to 30 years	100.0	97.0	101.6	6.47	92.0	100.0	97.0	101.6
12.50	6.47	Sept 2000-04	99.2	96.0	94.0	6.47	92.0	99.2	96.0	94.0
12.50	6.47	Conversion 10 to 30 years	100.0	97.0	101.6	6.47	92.0	100.0	97.0	101.6
12.50	6.47	Sept 2000-04	99.2	96.0	94.0	6.47	92.0	99.2	96.0	94.0
12.50	6.47	Conversion 10 to 30 years	100.0	97.0	101.6	6.47	92.0	100.0	97.0	101.6
12.50	6.47	Sept 2000-04	99.2	96.0	94.0	6.47	92.0	99.2	96.0	

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**STOCK MARKET DATA AND
 LISTIC PRICES**
BONDS * FX AND NEWS *
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- Boom or Crash?

[illegible]

LONDON SHARE SERVICE

AMERICANS

Notes	Price	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598	597	596	595	594	593
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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Stock	Price	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598	597
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● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

Run	Time	Temp	Yield
1	10	100	100
2	20	100	100
3	30	100	100
4	40	100	100
5	50	100	100
6	60	100	100
7	70	100	100
8	80	100	100
9	90	100	100
10	100	100	100

1990-1991		1991-1992		1992-1993		1993-1994		1994-1995		1995-1996		1996-1997		1997-1998		1998-1999		1999-2000		2000-2001		2001-2002		2002-2003		2003-2004		2004-2005		2005-2006		2006-2007		2007-2008		2008-2009		2009-2010		2010-2011		2011-2012		2012-2013		2013-2014		2014-2015		2015-2016		2016-2017		2017-2018		2018-2019		2019-2020		2020-2021		2021-2022		2022-2023		2023-2024		2024-2025		2025-2026		2026-2027		2027-2028		2028-2029		2029-2030		2030-2031		2031-2032		2032-2033		2033-2034		2034-2035		2035-2036		2036-2037		2037-2038		2038-2039		2039-2040		2040-2041		2041-2042		2042-2043		2043-2044		2044-2045		2045-2046		2046-2047		2047-2048		2048-2049		2049-2050		2050-2051		2051-2052		2052-2053		2053-2054		2054-2055		2055-2056		2056-2057		2057-2058		2058-2059		2059-2060		2060-2061		2061-2062		2062-2063		2063-2064		2064-2065		2065-2066		2066-2067		2067-2068		2068-2069		2069-2070		2070-2071		2071-2072		2072-2073		2073-2074		2074-2075		2075-2076		2076-2077		2077-2078		2078-2079		2079-2080		2080-2081		2081-2082		2082-2083		2083-2084		2084-2085		2085-2086		2086-2087		2087-2088		2088-2089		2089-2090		2090-2091		2091-2092		2092-2093		2093-2094		2094-2095		2095-2096		2096-2097		2097-2098		2098-2099		2099-2100		2100-2101		2101-2102		2102-2103		2103-2104		2104-2105		2105-2106		2106-2107		2107-2108		2108-2109		2109-2110		2110-2111		2111-2112		2112-2113		2113-2114		2114-2115		2115-2116		2116-2117		2117-2118		2118-2119		2119-2120		2120-2121		2121-2122		2122-2123		2123-2124		2124-2125		2125-2126		2126-2127		2127-2128		2128-2129		2129-2130		2130-2131		2131-2132		2132-2133		2133-2134		2134-2135		2135-2136		2136-2137		2137-2138		2138-2139		2139-2140		2140-2141		2141-2142		2142-2143		2143-2144		2144-2145		2145-2146		2146-2147		2147-2148		2148-2149		2149-2150		2150-2151		2151-2152		2152-2153		2153-2154		2154-2155		2155-2156		2156-2157		2157-2158		2158-2159		2159-2160		2160-2161		2161-2162		2162-2163		2163-2164		2164-2165		2165-2166		2166-2167		2167-2168		2168-2169		2169-2170		2170-2171		2171-2172		2172-2173		2173-2174		2174-2175		2175-2176		2176-2177		2177-2178		2178-2179		2179-2180		2180-2181		2181-2182		2182-2183		2183-2184		2184-2185		2185-2186		2186-2187		2187-2188		2188-2189		2189-2190		2190-2191		2191-2192		2192-2193		2193-2194		2194-2195		2195-2196		2196-2197		2197-2198		2198-2199		2199-2200		2200-2201		2201-2202		2202-2203		2203-2204		2204-2205		2205-2206		2206-2207		2207-2208		2208-2209		2209-2210		2210-2211		2211-2212		2212-2213		2213-2214		2214-2215		2215-2216		2216-2217		2217-2218		2218-2219		2219-2220		2220-2221		2221-2222		2222-2223		2223-2224		2224-2225		2225-2226		2226-2227		2227-2228		2228-2229		2229-2230		2230-2231		2231-2232		2232-2233		2233-2234		2234-2235		2235-2236		2236-2237		2237-2238		2238-2239		2239-2240		2240-2241		2241-2242		2242-2243		2243-2244		2244-2245		2245-2246		2246-2247		2247-2248		2248-2249		2249-2250		2250-2251		2251-2252		2252-2253		2253-2254		2254-2255		2255-2256		2256-2257		2257-2258		2258-2259		2259-2260		2260-2261		2261-2262		2262-2263		2263-2264		2264-2265		2265-2266		2266-2267		2267-2268		2268-2269		2269-2270		2270-2271		2271-2272		2272-2273		2273-2274		2274-2275		2275-2276		2276-2277		2277-2278		2278-2279		2279-2280		2280-2281		2281-2282		2282-2283		2283-2284		2284-2285		2285-2286		2286-2287		2287-2288		2288-2289		2289-2290		2290-2291		2291-2292		2292-2293		2293-2294		2294-2295		2295-2296		2296-2297		2297-2298		2298-2299		2299-2300		2300-2301		2301-2302		2302-2303		2303-2304		2304-2305		2305-2306		2306-2307		2307-2308		2308-2309		2309-2310		2310-2311		2311-2312		2312-2313		2313-2314		2314-2315		2315-2316		2316-2317		2317-2318		2318-2319		2319-2320		2320-2321		2321-2322		2322-2323		2323-2324		2324-2325		2325-2326		2326-2327		2327-2328		2328-2329		2329-2330		2330-2331		2331-2332		2332-2333		2333-2334		2334-2335		2335-2336		2336-2337		2337-2338		2338-2339		2339-2340		2340-2341		2341-2342		2342-2343		2343-2344		2344-2345		2345-2346		2346-2347		2347-2348		2348-2349		2349-2350		2350-2351		2351-2352		2352-2353		2353-2354		2354-2355		2355-2356		2356-2357		2357-2358		2358-2359		2359-2360		2360-2361		2361-2362		2362-2363		2363-2364		2364-2365		2365-2366		2366-2367		2367-2368		2368-2369		2369-2370		2370-2371		2371-2372		2372-2373		2373-2374		2374-2375		2375-2376		2376-2377		2377-2378		2378-2379		2379-2380		2380-2381		2381-2382		2382-2383		2383-2384		2384-2385		2385-2386		2386-2387		2387-2388		2388-2389		2389-2390		2390-2391		2391-2392		2392-2393		2393-2394		2394-2395		2395-2396		2396-2397		2397-2398		2398-2399		2399-2400		2400-2401		2401-2402		2402-2403		2403-2404		2404-2405		2405-2406		2406-2407		2407-2408		2408-2409		2409-2410		2410-2411		2411-2412		2412-2413		2413-2414		2414-2415		2415-2416		2416-2417		2417-2418		2418-2419		2419-2420		2420-2421		2421-2422		2422-2423		2423-2424		2424-2425		2425-2426		2426-2427		2427-2428		2428-2429		2429-2430		2430-2431		2431-2432		2432-2433		2433-2434		2434-2435		2435-2436		2436-2437		2437-2438		2438-2439		2439-2440		2440-2441		2441-2442		2442-2443		2443-2444		2444-2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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar plunges on trade data

THE DOLLAR was under a harsh spotlight yesterday, falling against most key currencies on the back of disappointing durable goods figures.

New orders for US durable goods fell by 2.4 per cent in May, after April's 1.9 per cent rise. Economists had been forecasting a further increase of 0.3 per cent.

The dollar had already been weak in thin, early trading, with dealers focusing on their chart indicators to predict that it was likely to have trouble holding above a support level of DM1.5550.

A technical analyst at a Scandinavian Bank in London said: "We are extremely bearish for the dollar, the long-term market is bearish - (only) the medium-term is bullish, supported by a trend line."

The pessimism was borne out, and after the disappointing figures, as well as news that the figure for unfilled orders had worsened for nine

months in a row, the dollar fell through the February low of DM1.5562. It closed in London at DM1.5530, the lowest since January, and fell further in New York to end at DM1.5495.

The D-Mark continued to be supported by the unexpectedly high German money supply figure announced on Tuesday. However, the dollar was also weaker against sterling and even the yen, in spite of a renewed fall by the Japanese stock market.

The move increased wariness among a number of dealers that a US interest rate cut was likely to be on the agenda in the meeting next week of the Federal Reserve's Federal Open Market Committee.

Dealers added that pressure was likely to be increased by a railway strike in the US which could lead to losses of millions of dollars in fresh fruit and vegetables.

In response to the dollar's slide, the White House said the decline in durable goods orders

did not undercut the prospects of economic recovery but added that lower interest rates would be justified.

The German currency was firmer against other ERM currencies, partly as a lingering result of the higher than expected money supply growth figure announced on Tuesday.

The D-Mark rose against the French franc in spite of another high French trade surplus in May. It also edged higher against the lira and rose against the pound.

Sterling languished at the bottom of the ERM, with virtually no buying. It dipped against the D-Mark to DM2.917, but gained more than a cent to \$1.878 in terms of the dollar. Sterling's index was stable throughout the day but edged ahead at the close to 93.1. The pound finished in New York at \$1.8785.

In East Europe, Hungary abandoned its upbeat economic outlook for 1992 and devalued the forint by 1.6 per cent.

FINANCIAL FUTURES AND OPTIONS

LIVE US DOLLAR FUTURES OPTIONS

130,000 shares in 1974				
Strike	Calls-settlements		Puts-settlements	
Price	Sep	Dec	Sep	Dec
94	3.49	4.10	0.05	0.18
95	2.54	3.21	0.10	0.29
96	2.00	2.37	0.20	0.43
97	1.18	1.60	0.38	1.04
98	0.48	1.24	1.04	1.32
99	0.25	0.61	1.45	2.05
100	0.12	0.41	2.32	2.49
101	0.06	0.26	3.26	3.34
Estimated volume total: Calls 3999 Puts 3392				
Previous 45,000 in 1973: Calls 6995 Puts 39781				

CANADA

CANADA											
Sales	Stock	High	Low	Close	Chng	Sales	Stock	High	Low	Close	Chng
TORONTO											
4:00 pm prices June 24											
Quotations in cents unless marked S											
11800 Asstl Pk	514.5	514.5	514.5	514.5	0	12000 Asstl Pk	514.5	514.5	514.5	514.5	0
21000 Asstl Pk	514.5	514.5	514.5	514.5	0	12000 Asstl Pk	514.5	514.5	514.5	514.5	0
40000 Asstl Pk	514.5	514.5	514.5	514.5	0	12000 Asstl Pk	514.5	514.5	514.5	514.5	0
50000 Asstl Pk	514.5	514.5	514.5	514.5	0	12000 Asstl Pk	514.5	514.5	514.5	514.5	0
100000 Asstl Pk	514.5	514.5	514.5	514.5	0	12000 Asstl Pk	514.5	514.5	514.5	514.5	0
140000 Asstl Pk	514.5	514.5	514.5	514.5	0	12000 Asstl Pk	514.5	514.5	514.5	514.5	0
180000 Asstl Pk	514.5	514.5	514.5	514.5	0	12000 Asstl Pk	514.5	514.5	514.5	514.5	0
220000 Asstl Pk	514.5	514.5	514.5	514.5	0	12000 Asstl Pk	514.5	514.5	514.5	514.5	0
260000 Asstl Pk	514.5	514.5	514.5	514.5	0	12000 Asstl Pk	514.5	514.5	514.5	514.5	0
300000 Asstl Pk	514.5	514.5	514.5	514.5	0	12000 Asstl Pk	514.5	514.5	514.5	514.5	0
340000 Asstl Pk	514.5	514.5	514.5	514.5	0	12000 Asstl Pk	514.5	514.5	514.5	514.5	0
380000 Asstl Pk	514.5	514.5	514.5	514.5	0	12000 Asstl Pk	514.5	514.5	514.5	514.5	0
420000 Asstl Pk	514.5	514.5	514.5	514.5	0	12000 Asstl Pk	514.5	514.5	514.5	514.5	0
460000 Asstl Pk	514.5	514.5	514.5	514.5	0	12000 Asstl Pk	514.5	514.5	514.5	514.5	0
500000 Asstl Pk	514.5	514.5	514.5	514.5	0	12000 Asstl Pk	514.5	514.5	514.5	514.5	0
540000 Asstl Pk	514.5	514.5	514.5	514.5	0	12000 Asstl Pk	514.5	514.5	514.5	514.5	0
580000 Asstl Pk	514.5	514.5	514.5	514.5	0	12000 Asstl Pk	514.5	514.5	514.5	514.5	0
620000 Asstl Pk	514.5	514.5	514.5	514.5	0	12000 Asstl Pk	514.5	514.5	514.5	514.5	0
660000 Asstl Pk	514.5	514.5	514.5	514.5	0	12000 Asstl Pk	514.5	514.5	514.5	514.5	0
700000 Asstl Pk	514.5	514.5	514.5	514.5	0	12000 Asstl Pk	514.5	514.5	514.5	514.5	0
740000 Asstl Pk	514.5	514.5	514.5	514.5	0	12000 Asstl Pk	514.5	514.5	514.5	514.5	0
780000 Asstl Pk	514.5	514.5	514.5	514.5	0	12000 Asstl Pk	514.5	514.5	514.5	514.5	0
820000 Asstl Pk	514.5	514.5	514.5	514.5	0	12000 Asstl Pk	514.5	514.5	514.5	514.5	0
860000 Asstl Pk	514.5	514.5	514.5	514.5	0	12000 Asstl Pk	514.5	514.5	514.5	514.5	0
900000 Asstl Pk	514.5	514.5	514.5	514.5	0	12000 Asstl Pk	514.5	514.5	514.5	514.5	0
940000 Asstl Pk	514.5	514.5	514.5	514.5	0	12000 Asstl Pk	514.5	514.5	514.5	514.5	0
980000 Asstl Pk	514.5	514.5	514.5	514.5	0	12000 Asstl Pk	514.5	514.5	514.5	514.5	0
1020000 Asstl Pk	514.5	514.5	51								

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4:00 pm prices June 24-

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Continued on next page

NASDAQ NATIONAL MARKET

4:00 pm prices June 24

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4:00 pm prices June 24

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Go on →

Data source: European Business Readiness Survey 1992

FT SURVEYS

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FT SURVEYS

AMERICA

Rate cut hopes support Dow after poor data

Wall Street

ANOTHER modest improvement was scored yesterday by the Dow Jones Industrial Average as investors' hopes for a reduction in interest rates were boosted by unexpectedly bad economic data, writes Patrick Harrington in New York.

The Dow blue chip indicator ended 5.08 firmer at 3,290.70, although below the high for the day when the index momentarily breached 3,300. The more broadly based Standard & Poor's 500, however, lost a slight 0.20 on balance at 403.84, while the Nasdaq composite index was finally 1.97 off at 551.39. Turnover on the New York SE was 194m shares.

The news from the Commerce Department, that durable goods orders fell 2.4 per cent in May, would normally have depressed market sentiment. Analysts had expected a modest rise in May orders, and the reported decline suggested yet again that the economic recovery is extremely sluggish.

The market rose on the news because investors interpreted the data as increasing the chances of an easing of policy by the Federal Reserve. If the economy remains weak, analysts believe that the Fed may cut interest rates once more to boost business activity. These hopes were also buoyed by the latest call for lower rates from the White House: President Bush said yesterday that, because of low inflation, there was room for another cut.

SHORT-TERM uncertainty now motivates Brazilian equities, according to Mr. Alvaro A. Vidigal, president of the Sao Paulo Stock Exchange (Bovespa). The last few days seem to confirm Mr. Vidigal's observation, writes Bill Hinchberger.

At noon yesterday, the Bovespa index was down 2.2 per cent at 20,097. On Tuesday, it closed just 12 points off following a 6.6 per cent drop on Monday. On Friday it had registered a 10.6 per cent rebound. Although he remains bullish on the long term road to economic reform, Mr. Vidigal admitted that the short term is "unpredictable", mostly because of the political crisis engendered by allegations of corruption involving close associates of President Collor de Mello.

ASIA PACIFIC

Nikkei back below 16,000 in low volume

Tokyo

THE Nikkei average closed at its lowest level since October 1986 yesterday as selling of speculative theme stocks dragged the index below 16,000 again, writes Emilio Terazono in Tokyo.

The 225-issue average fell 263.32, or 1.6 per cent, to 15,833.87. The index rose to the day's high of 16,313.33 in the morning on buying by investors trying to cover short positions. However, arbitrage selling and liquidation of holdings by dealers amid low volume pushed prices lower, and the Nikkei hit the day's low of 15,816.04 just before the close.

Volume rose slightly from 211m shares to 220m. Falls led rises by 686 to 250, with 176 issues unchanged. The Topix index of all first section stocks lost 13.84 to 1,233.37, and in London the ISE/Nikkei 50 index dipped 3.65 to 861.73.

Analysts said the Nikkei's decline, triggered by last Wednesday's rumour of finan-

cial trouble at Dai-ichi, the condominium builder, would continue unless uncertainty surrounding the financial soundness of certain companies disappeared. Investors are especially nervous about real estate companies and banks, which have been affected by the plunge in asset values.

Mr. Craig Chudler at UBS Phillips & Drew commented: "The market needs proof that the companies are in as sound shape as they say they are."

Banks and construction and real estate companies were among the heaviest losers of the day. Industrial Bank of Japan fell ¥80 to ¥1,490, Mitsui Fudosan slipped ¥10 to ¥800 and Shimizu, the contractor, lost ¥36 to ¥889.

The five most active issues of the day were bio-technology theme stocks. Meiji Milk Products, the most active, dropped ¥49 to ¥861 and Morinaga Milk Industry ¥50 to ¥804.

Steel issues were weak on earnings worries. Leading steel companies face redemptions of equity-linked bonds issued in

German steel shares transcend cyclical slump

The industry's rationalisation plans are looking good to investors, Christopher Parkes writes from Bonn

Stuck at the bottom of the world-wide cyclical slump, German steelmakers have done well in the equity market this year.

Relative strength and momentum statistics from Merck Finck in Düsseldorf put the sector consistently high in the performance charts since mid-March. Even after some profit-taking over the past week, Hoesch, Klockner-Werke and Thyssen are standing nearly 20 per cent above their lows for the year.

The steelmakers seem finally to have abandoned their "every man for himself" policy and implemented classical techniques for improving buoyancy. They are off-loading excess costs, notably by cutting highly paid workforces.

Some 70,000 are expected to lose their jobs by the end of the decade. At the same time, they are merging, co-operating and, in the process, rationalising the overall structure of the industry. However, while British Steel and Unior Saceril represent virtually the entire steel output of the UK and France respectively, Germany

still has five steel specialists.

That will come down to four in short order, when Krupp formally completes its takeover of Hoesch. After that, according to Mr. Gerhard Cromme, the tough Krupp chief, the number is likely to fall eventually to three, but "never" less than two. He and Mr. Heinz Kriwet, boss of Thyssen, Germany's leading light in steel, are determined that their businesses will remain independent.

Survival prospects are not so bright at the bottom of the heap, where Klockner-Werke, a 3.4m tonne per year producer, is feeling the squeeze.

Announcing the second passed dividend in succession earlier this year after net profits had slumped from DM78.3m to DM1.5m, Mr. Hans Christoph von Rohr, its chairman, bravely remarked that he saw no reason to get out of steel. "Everyone is now talking to everyone else in the steel industry," he added. In the interim, however, the shares are trading on a current price/earnings ratio of around 40, according to forecasts by Mr. Chris Hemlinway of Robert

Fleming, falling to just above 7 in three years' time.

The impulse for the exchanges between steelmakers was the Krupp move against Hoesch last October, which showed that, in spite of obstacles built into the German corporate and financial system, an aggressive takeover of a leading German company can be mounted, and implemented.

Whether that is now true for foreign bidders remains to be seen. Thyssen, currently busy knitting together its conventional and special steels subsidiaries (and cutting 5,000 jobs in the process), has said it is not in the market to buy.

Mr. Cromme, of Krupp, in charge of a 9.5m tonne outfit, says he has enough to do. At present, while tying up the Hoesch deal, he is also trying to persuade the authorities of his right to subsidies for his purchase and rebuilding of the run-down east German EKO Stahl business.

The most likely next stage in the restructuring round is expected to include more co-operation deals, such as that

struck recently between the steel tube divisions of Hoesch and Mannesmann, which will tie the existing steel groups closer together.

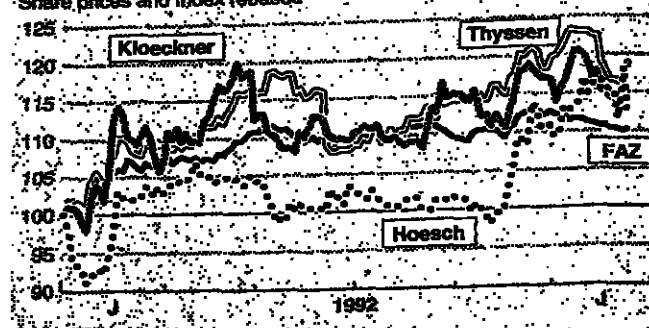
The German industry looks in far better shape now, ahead of the expected upswing in the cycle. In spite of a pay award of 6.4 per cent, compared with a 5.5 per cent average in Germany this year, rationalisation looks likely to improve competitiveness at least in terms of labour costs per tonne. And although manufacturers complain about selling prices down at 1982 levels, analysts are unanimous that the worst of the cyclical slump is over.

They also speak with one voice of the industry leader, Thyssen - 11m tonnes of steel a year and a wide range of diversified interests to ease it over the cyclical bumps - as the long term quality German steel stock.

Although Thyssen's pre-tax earnings this year are expected to take a pummeling, and Mr. Kriwet has suggested that he might not be able to match last year's DM10 dividend, analysts put it on a prospective p/e of

Germany

Share prices and index rebound



Source: FT-Actuaries

about 13 and their forecasts signal accelerating upwards movement from 1993 onwards. If Hoesch had remained independent, it, too, would have ranked among the favoured. But absorption by Krupp - "for an absolute song", according to Mr. Hemlinway - has taken it off the market, and investors have been left to speculate, short term, on the value of the Krupp shares in the takeover package.

When Krupp comes to market, later this summer, Mr.

Michael Geiger and Mr. Robert Sassoon at County NatWest advise caution. Mr. Cromme's transformation has yet to free Krupp of its heavy gearing and a commitment to pay back state subsidies.

If the EKO deal goes through, Krupp will have to find substantial funds to bring it up to scratch. And while Mr. Cromme speaks confidently of the synergistic savings from his Hoesch link, he has work to do to extract them. It is a little early to "get positive".

EUROPE

Bourses show signs of responding to economic news

THERE was a suggestion yesterday that bourses will respond to good economic news, when it comes, writes Our Markets Staff.

FRANKFURT saw movement in derivatives after equity hours, DAX index futures dropping on a steep fall in US durable goods orders, then recovering on positive German inflation data. At the official close, the DAX was 2.55 lower at 1,768.49 after a 2.58 fall to 702.19 in the FAZ at mid-session, turnover easing from DM4.7bn to DM4.6bn.

Daimler fell DM5.90 to DM785.50 in market hours, going ex a DM13 dividend, lost another net DM6 to DM776.70 in the afternoon. Dealers said that investors been buying Daimler put options heavily to hedge the downside as they waited for a final ruling on Germany's participation in the

FT-SE Eurotrack 100 - Jun 24

FT-SE Eurotrack 100 - Jun 24								
Hourly changes								
Open	10.30am	11 am	12 pm	1 pm	2 pm	3 pm	close	
1147.24	1147.47	1147.35	1147.18	1146.73	1145.74	1145.72	1145.09	
Day's High 1148.02				Day's Low 1144.83				
Jun 23	Jun 22	Jun 19	Jun 18	Jun 17				
1148.49	1148.77	1154.86	1145.88	1158.46				
Base value 1000 (20/10/95)							2 Percent	

Base value 1000 (20/10/88)

2 points

European jet fighter project.

Among second liners VEW, the power utility group, rose another DM6.50 to DM238 for a two-day gain of DM13.50. After hours, VEW said that it had bought control of Harpenner, the holding company which, before it was swallowed by the ill-fated Swiss Omni group in the late 1980s, had half of its sales in power generation.

PARIS opened the first day of the new trading account firm, helped by a May trade surplus of FF4.5bn. The CAC

40 index closed up 3.84 at 1,699.64, after reaching an intraday high of 1,912.97.

Peugeot slipped FF10 to FF738 after Mr. Jacques Calvet, chairman, warned that the European car market could contract by 1 per cent in 1992. He said that he expected a further decline in Germany, while Spain, Portugal and Belgium were likely to improve.

Total finished up 80 centimes at FF233.90 after reports that US and international offers in the government's sale of a 12.4

per cent stake had been over-subscribed two-fold.

Elsewhere Michelin extended Tuesday's gains, up FF6.00 at FF202.70.

MILAN dropped to a fraction above its 1992 low as hopes faded that the new premier Mr. Giulio Andreotti, will assemble an effective government. The Comit index ended 3.70 lower at 489.99. Olivetti saw more speculation about alliances in the computer industry, edging up 1.20 to 1.3233. Fiat dropped 1.70 to 1.5410 but recovered to 1.5445 on the kerb.

ZURICH fell as banks and insurers came under selling pressure, the SMI index of leading shares ending 8.5 easier at 1,838.3. UBS came under pressure from rumours, later denied, that Moody's Investors Service planned to downgrade the bank's triple-A rating; the bearers topped the active list

as they closed SF70 lower at SF73.570, after SF73.520.

MADRID, plagued by bad economic news, saw the general index down another 3.71 at 239.99. The construction sector was badly affected following a meeting on Tuesday between the industry and government. Tabacalera fell to an intraday low of Ptas4,450 on news of a US ruling which may open manufacturers there to lawsuits, before recovering slightly to close down Ptas120 at Ptas5,590.

OSLO took little comfort from Tuesday's rise and the market returned to negative territory. The all-share index fell 8.53 to 413.32 in turnover of NK222m. Dealers were disappointed with the pricing of Hafslund Nycomed's offering of its B shares in the US at \$22.50 per share. The B closed NK3 weaker at NK164.

ISTANBUL gained 3.7 per

cent on expectations of parliamentary discussions this week on tax reform. The 75-share index closed up 142.16 at 3,982.53, its highest close since April 16. The reform proposals would provide tax relief for mutual funds which invest 25 per cent of their portfolios in stocks.

TEL AVIV hit a new record in high turnover following the Labour party's general election victory, the blue chip share index soared 6.93, or 6.5 per cent to 146.15.

SOUTH AFRICA

SENTIMENT improved in Johannesburg yesterday with industrial stocks stronger. The industrial index advanced 11 to 4,474 and the overall index was 5 higher at 3,638. The gold index lost 15 to 1,121 on a lower bullion price.

WHAT'S IN A 'NAME'?

How the Lloyd's crisis is affecting those directly exposed and, ultimately, everyone who buys insurance. Read Finance and the Family and find out.

IN THIS SATURDAY'S

Weekend FT

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS		WEDNESDAY JUNE 24 1992										TUESDAY JUNE 23 1992										DOLLAR INDEX	
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change	Pound Sterling	Yen Index	DM Index	Local Index	Local % chg on prev	Gross Div. Yield	US Dollar Index	Pound Sterling	Yen Index	DM Index	Local Index	Local % chg on prev	1992 High	1992 Low	Year Ago	Year Ago (approx)					
Australia (89)	147.74	+0.0	116.63	118.28	119.21	130.79	+0.2	4.18	147.70	117.51	118.78	120.21	130.58	133.68	140.94	140.24		140.24					
Austria (19)	171.42	+0.7	125.33	137.24	138.32	138.55	+0.1	2.11	170.18	125.35	136.84	138.51	138.26	138.70	162.48	162.48		162.48					
Belgium (46)	142.73	+1.4	112.63	114.26	115.18	112.46	+0.4	5.43	140.82	112.04	113.22	114.61	112.00	146.19	135.87	127.44		135.87					
Canada (119)	124.52	+0.0	98.30	98.68	100.48	107.84	+0.0	3.40	124.51	98.08	100.11	101.33	107.88	142.12	124.32	136.44		124.32					
Denmark (26)	239.82	+3.0	186.31	191.98	194.25	194.25	+2.1	2.32	232.85	185.28	187.22	189.51	197.94	228.61	242.57	242.57		242.57					
Finland (15)	78.38	-0.2	60.30	61.15	61.53	67.79	-0.8	2.06	76.51	60.67	61.52	62.27	68.34	88.80	73.54	100.61		73.54					
France (104)	161.40	+1.0	127.41	129.20	130.22	132.26	+0.2	3.53	159.75	127.10	128.44	130.01	132.05	168.75	148.08	126.92		148.08					
Germany (65)	125.67	+0.5	92.57	100.92	101.40	101.40	+0.4	2.29	125.65	92.49	100.95	101.77	102.51	125.47	145.07	103.45		145.07					
Hong Kong (55)	251.81	+1.1	198.79	201.59	203.19	240.97	+1.1	3.27	249.11	198.19	200.29	202.76	247.29	254.67	178.36	152.21		178.36					
Ireland (16)	157.84	+0.2	124.61	126.36	127.36	128.97	-1.0	4.21	157.60	125.38	126.72	128.27	130.24	173.71	151.78	143.98		151.78					
Italy (78)	70.31	+0.0	55.51	56.29	56.73	61.70	-0.8	3.38	70.28	55.91	56.60	57.20	62.19	60.86	68.39	75.63		68.39					
Japan (473)	163.08	+0.8	78.08	78.12	78.73	78.12	-1.2	1.12	162.82	78.23	77.04	78.00	77.04	140.85	68.70	133.14		140.85					
Malaysia (18)	238.51	+0.0	189.32	191.98	193.49	231.68	-0.1	2.73	239.74	190.73	192.75	195.11	201.94	250.19	212.49	236.95		250.19					
Mexico (18)	1413.18	-0.3	1115.64	1131.36	1140.27	1423.02	-0.2	1.22	1417.82	1128.09	1140.08	1154.04	1432.21	1789.77	1376.91	981.93		1789.77					
Netherlands (25)	160.80	+0.3	126.95	128.73	129.75	128.33	-0.6	4.37	160.36	127.58	128.94	130.02	128.07	165.22	147.88	132.97		165.22					
New Zealand (14)	46.46	+1.1	36.28	37.20	37.49	45.30	+1.1	1.01	45.98	36.58	37.41	37.88	44.81	48.52	42.01	47.78		48.52					
Norway (28)	177.28	+0.1	139.93	141.91	143.03	145.98	-0.8	1.74	177.01	140.83	142.33	144.07	147.18	192.95	161.26	152.66		192.95					
Singapore (38)	222.58	+0.3	178.95	178.43	179.88	183.36	+0.2	1.38	222.13	178.73	179.51	180.79	186.09	225.63	182.78	195.35		225.63					
South Africa (61)	219.05	+0.8	172.93	176.36	178.74	182.92	+0.2	2.82	217.94	172.91	174.75	176.88	182.53	203.60	202.19	228.61		203.60					
Spain (50)	150.29	-0.8	118.55	120.32	121.27	111.24	-1.8	5.55	151.58	120.58	121.87	123.35	113.27	161.72	146.86	148.89		161.72					
Sweden (29)	193.22	+1.6	152.78	154.93	156.15	160.57	+0.7	2.36	190.41	151.48	153.11	154.88	159.41	200.28	173.09	187.71		200.28					
Switzerland (64)	147.73	+0.4	102.54	103.80	104.92	106.51	-0.3	2.29	147.28	102.53	103.80			103.80	102.53	106.51		103.80					
United Kingdom (227)	160.39	-0.3	105.05	105.78	106.95	105.65	-1.0	1.06	161.22	105.61	105.81	105.60	105.72	121.01	105.60	105.69		121.01					
USA (522)	164.56	+0.1	129.91	127.15	127.15	129.58	-0.1	3.04	164.74	127.07	132.47	134.04	164.74	171.66	160.92	150.27		171.66					
Europe (735)	126.63	+0.2	120.49	121.78	122.16	122.56	-0.6	3.98	126.27	121.05	122.44	123.04	122.26	127.58	108.98	139.31		127.58					
Nordic (101)	177.19	+1.9	141.44	143.43	144.56	141.99	+1.0	2.11	175.79	139.85	141.54	143.07	140.45	182.52	169.96	161.28		182.52					
Scandinavia (718)	122.60	+0.2	97.78	98.75	99.25	99.25	+0.2	2.89	122.58	97.78	98.75	99.25	99.25	108.51	98.75	108.51		99.25					
Europe - Pacific (1715)	129.16	-0.2	98.78	98.14	98.92	98.92	-0.8	2.73	129.11	98.70	98.74	98.95	100.02	145.21	113.90	131.92		145.21					
North America (837)	126.05	+0.1	127.93	128.74	130.77	180.70	-0.1	3.05	126.22	129.05	130.45	132.05	160.87	166.99	158.70	148.51		166.99					
Latin America (228)	122.05	+0.2	98.78	98.78	98.78	98.78	+0.2	2.89	122.05	98.78	98.78	98.78	98.78	108.51	98.78	108.51		98.78					
Pacific Ex. Japan (245)	122.05	+0.5	136.22	138.17	139.25	153.61	+0.6	3.49	117.65	136.57	138.04	139.72	175.32	153.61	139.25	139.25		175.32					
World Ex. US (1707)	134.62	-0.1	96.31	99.70	100.40	101.62	-0.7	2.74	134.71	99.22	100.38	101.50	102.36	145.91	116.45	133.29		145.91					
World Ex. US (2020)	136.96	-0.1	96.31	99.70	100.40	101.62	-0.7	2.74	134.71	99.22	100.38	101.50	102.36	145.91	116.45	133.29		145.91					
World Ex. So. At. (2168)	136.96	-0.1	96.31	99.70	100.40	101.62	-0.7	2.74	134.71	99.22	100.38	101.50	102.36	145.91	116.45	133.29		145.91					
World Ex. Japan (2225)	160.47	+0.1	126.68	128.48	129.50	149.00	-0.2	3.40	160.38	127.58	128.95	130.54	142.58	160.40	132.20	143.02		160.40					
The World Index (1735)	130.47	-0.1	106.22	106.75	108.82	121.81	-0.5	2.86	137.27	109.21	110.51	111.73	121.55	153.70	130.56	138.02		153.70					

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FINANCIAL TIMES SURVEY

EXECUTIVE CARS

Thursday June 25 1992

Stirrings of recovery in North America, the world's single most valuable market for executive and luxury cars, are producing some cautious signs of relief in the boardrooms of Mercedes-Benz, Volvo, Jaguar, BMW and other European companies specialising in the sector.

Although total car sales in the US so far this year are responding only sluggishly to President George Bush's efforts to prod life into the economy, the executive car sector appears to be pointing the way to sharper growth in the future.

Thus Mercedes' US sales in the first five months of the year were up by 18 per cent, BMW's up by nearly a quarter and those of Jaguar - among the companies hardest-hit last year - by more than a tenth. More positively still, in May both Jaguar and Rolls-Royce reported a doubling of sales compared with year-ago levels.

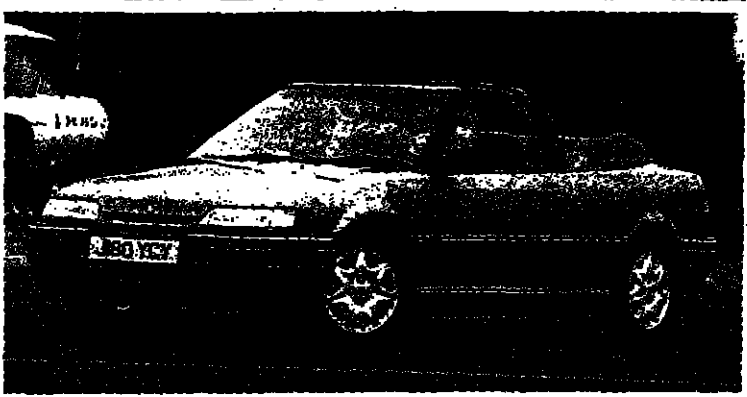
For most of the European companies, however, it is a case of one step forward after two steps back: Mercedes' US sales dropped by one quarter last year, for example, while Jaguar's sales fell by one half. Audi, Volkswagen's executive car arm, is enjoying sales up nearly 20 per cent this year - but only after seeing its sales nearly halved in 1991.

For a few European companies, there is not even the step forward: five months into 1992, luxury sports car maker Porsche's US sales have sunk further, to fewer than 2,000 units, compared with annual sales of up to 30,000 a year in the late 1980s.

On the surface, at least, the predictions now emerging from several of the industry's leading forecasting groups suggest that the executive car industry's problems should all soon be over. According to DRI-McGraw-Hill, for example, the sector will remain the fastest growing one in North America, at least until 1996, as a result of post-war "baby boomers" moving into middle-aged affluence and their disposable income rising as their children leave home - a phenomenon being replicated, to a lesser extent, in much of Europe.

For cars typified by Mercedes' mid-range 300 Series, Volvo's 700 Series and BMW, DRI says it believes there is the potential for 60 per cent sales growth in the US over the next five years or so.

The growth forecast is far from confined to North America, however. On DRI's projections, all the leading car producing nations of the world will soon be starting a sharp upturn



Clockwise from top left: Xedos S, Alfa-Romeo 165, Rover 800 coupé, Volvo 850. Predictions suggest that the industry's problems should soon all be over

Challenge looms from Japan

which by 1996 should see global car sales of a record 40m units, some 21 per cent above last year's level.

There are good reasons, however, for the subdued, cautious air in the western industry's boardrooms.

If the European companies are starting to enjoy renewed growth in North America, their Japanese rivals are, for the most part, enjoying more. While everyone else lost sales last year, Nissan's Infiniti, Toyota's Lexus executive and luxury car franchises actually added sales, as did Honda's Acura operation. In the first five months of this year, Lexus sales have risen by more than 70 per cent and Infiniti's by nearly 40 per cent.

Europe has yet to feel anything like the full force of Japanese competition in the executive and luxury sectors.

Japanese manufacturers are taking a "softly, softly" approach to gaining share in an area of the market which traditionally has provided

Hints of recovery in the US and predictions from forecasting groups suggest the executive car industry's problems should soon be over. But there is a subdued, cautious air in western boardrooms.

John Griffiths looks to the east for an explanation

Europe's indigenous producers with high profit per unit.

The European industry knows, however, that in the longer term it faces a challenge within Europe no less severe than that already being experienced in North America.

Later this year, Toyota and Honda will join Nissan in producing cars in the UK. The production of all three, however, is targeted at the volume car market, giving the Japanese producers the flexibility to import many more high-value cars from Japan, without seriously running foul of the EC-Japan "understanding" under

which Japan will continue to market cars "prudently" throughout the transition to an open market.

Whereas only a few years ago chief executives of companies such as BMW and Mercedes were prone to put on a bold front about such competition, implying that the Japanese industry would not be able to match the Europeans in areas such as design sophistication and engineering integrity, the mood now is sharply different.

Mr Eberhard von Kuenheim, chairman of BMW, now accuses the Japanese industry of "an aggressive pol-

icy of conquering markets, creating a scenario of ruinous competition everywhere."

In perhaps the most outspoken attack on the Japanese industry made by a senior German motor industry executive, he attributed the Europeans' problems in the US market "not to the products as such, but rather to the prices of our cars - particularly when other manufacturers dump their products below cost."

German concern is being heightened both by the immediate sales prospects for Europe and by the fact that costs are becoming an acute worry within Germany. While some big markets such as the UK and Spain are starting the process of recovery, their growth is likely to be almost entirely offset by the fizzling out of demand in Germany as the boom generated by unification goes into reverse. Germany accounts for 30 per cent of all European sales.

The prospect is of fierce competition for executive car sales in Europe. At the same time, the fast growth - albeit from a very small base - that European executive car exporters to Japan had been experiencing has largely gone into reverse. The bursting of the Japanese "bubble" economy last year took new car sales down by 4 per cent.

Part of the problem is that, for example, Mercedes' smallest car, the 190E, sells for roughly the same price as a fully-equipped Lexus in Japan. Cutting costs is perhaps the single biggest problem facing the European industry, and Germany's in particular.

Current estimates are that the Japanese industry has a cost advantage of about one third over its German counterpart.

Another form of competition is also emerging. General Motors, the world's biggest car maker, has been undergoing a massive restructuring of plants and products in an attempt to defend its still-shrinking market share. Its Cadillac division is now eyeing Europe for a renewed sales push. Chrysler has just started production of its up-market "minivans", also pitched at the executive sector as an alternative to conventional cars, in Austria. Competition from North America may become an established feature of the European scene by the late 1990s.

Adding to the industry's concerns within Europe is the continuing controversy over differential prices charged by manufacturers within the EC, fuelled initially by consumer group claims that prices in the UK were far higher than some other markets in Europe.

The UK's Monopolies and Mergers Commission and the EC competition Commission have both produced reports on the subject. The MMC found no evidence of systematic profiteering but the EC report found differences, in extreme cases, of up to 40 per cent. Sir Leon Brittan, the competition commissioner, has warned that the industry must "put its house in order".

Overall, the likely effect is to be, if not actual price cuts, a slowing down of the rate of price increases, putting yet more pressure on costs and profitability.

Needless to say, this is a prospect not at all likely to bother both business and private users of executive and luxury cars. The current buyers' market is likely to remain for a very long time to come.

IN THIS SURVEY

□ The European market: Most European countries are moving towards Britain's level of company car provision Page 2

□ Specialists: Even the most prestigious marques have been taking a severe battering from the recession Page 3

□ Japanese challenge: There are signs that the Japanese challenge will switch to Europe in the 1990s Page 6

□ US exports: America's Big Three manufacturers are waking up to the idea of exporting to Europe once more Page 8



EC competition commissioner Sir Leon Brittan: tough stance on the issue of pan-European car prices Page 10

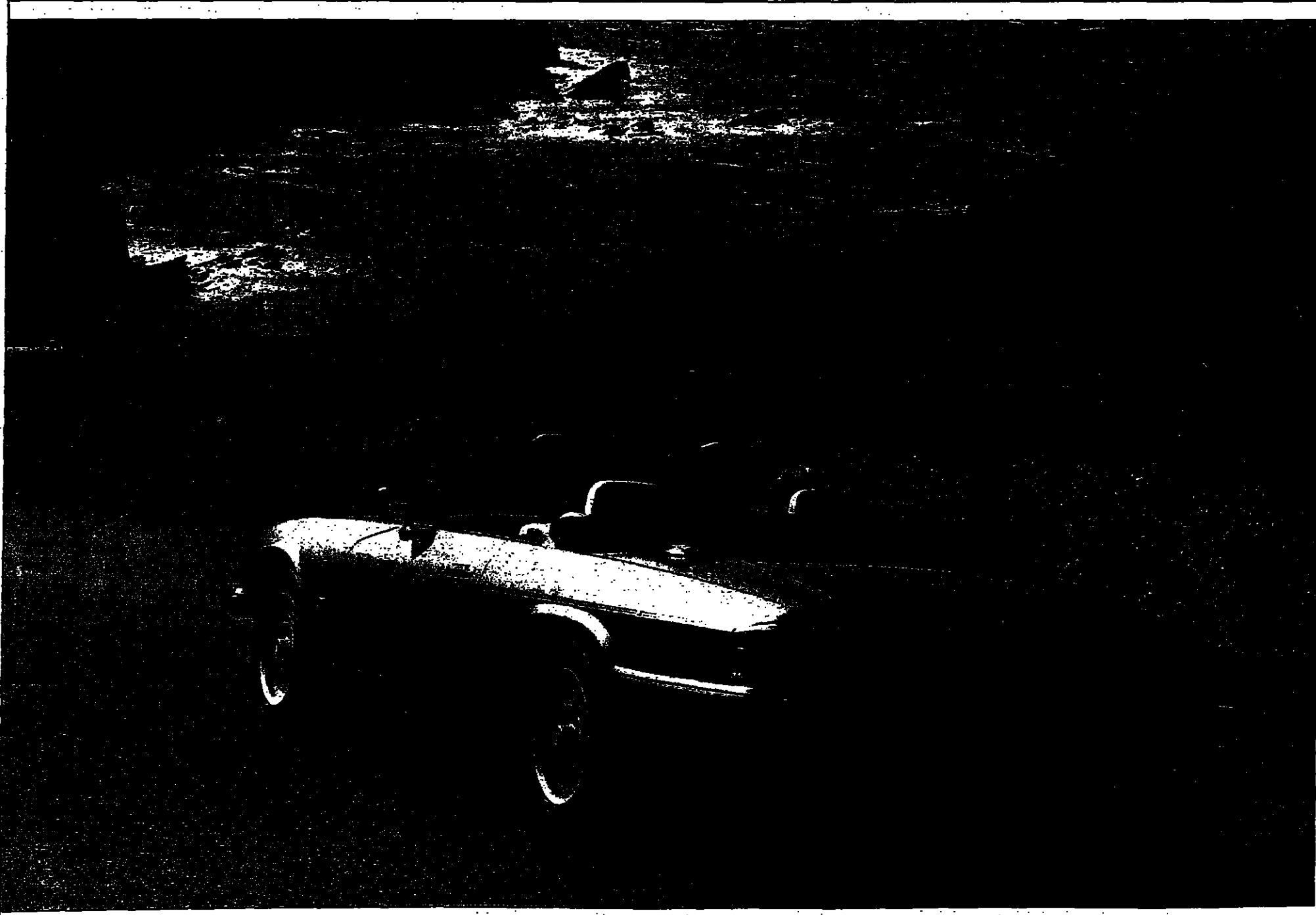
□ The supercars: Could environmental concerns and speed limits finally quash demand for 200mph road cars? Page 12

□ People carriers: Vehicle makers are investing heavily in the future of the tall vans with three rows of seats and accommodation for seven Page 12

□ In-car communications: Despite many promises, the mobile office has never realised its full potential Page 14

□ How they go: There is every incentive to go for a modern, high-efficiency 2-litre engine: The latest range Page 11

□ Editorial production: Phil Sanders



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FT

EXECUTIVE CARS 2

THE BRITISH MARKET

Review is eagerly awaited

WITHIN the next few weeks, HM Customs and Excise and the Inland Revenue are to publish a consultative document on changes to the car pricing, engine capacity and possibly business mileage bands which currently determine how much tax executives must pay on the private benefit of their company cars.

Unless there has been a big change of heart since the review was first announced in Chancellor Norman Lamont's budget in March, it is expected that both engine capacity bands and the £19,250 and £29,000 thresholds above which individual tax charges rise sharply will be abandoned in favour of a simplified scale related merely to vehicle price.

The review is awaited eagerly by manufacturers and dealers for it is likely to have considerable effect on the type of specification of the executive cars they make and sell. And for business car users, it should lead to considerably greater freedom of choice.

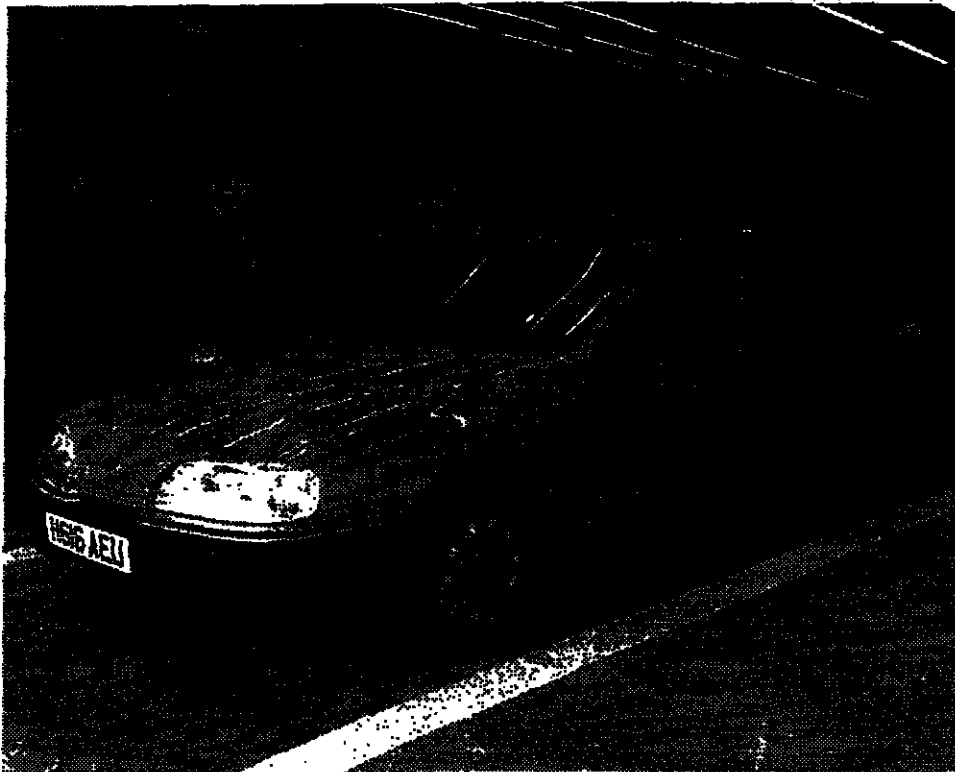
At the upper end of the market such a revised system should greatly benefit companies such as Jaguar, which has only two models below the £29,000 threshold and which has therefore traditionally been severely disadvantaged by the tax scale system.

Abolition of the much more important - at least for the larger manufacturers - £19,250 threshold would free the car companies from having to produce "threshold specials" aimed at just creeping into the lower tax band. It would allow them to create a more coherent range of products, with resultant greater choice for the company car buyers who - at this level of the market - accounts for at least three-quarters of all such cars sold.

Significant as the review is, it represents only one of a number of changes which this year are transforming the landscape of the business car market.

For a start, there is the cut in special car tax, also announced in the budget, to 5 per cent from 10 per cent.

The cut does not mean a straightforward 5 per cent reduction on pre-budget prices, because it is computed on the



Auction houses are starting to report a glut of high-mileage executive cars in their compounds

pre-tax price less the discount allowed to the dealer and nets out at just over 4 per cent. But it still amounts to a worthwhile £1,100 off a £27,000 executive car or more than £3,000 off a Rolls-Royce.

Potentially just as significant, at least for businesses and car-using executives, was a clarification of VAT rules by the Chancellor, who gave an assurance that companies which want to offer employees a cash alternative to a car, and there are signs that a growing number do, will not have to pay VAT on any salary foregone by employees who choose to keep their cars.

Until the clarification, that is exactly what Customs and Excise had been insisting. And the issue is no minor one because, for example, a company running 500 cars but offering employees £3,000 a year cash instead risked landing itself with a VAT bill for nearly £250,000, even if only one employee opted for the cash.

It is the main reason why

companies have been frightened away from pursuing car-for-cash schemes, even though many have begun investigating them because of last year's introduction of National Insurance charges on company cars and higher VAT which, uniquely among business goods, cannot be reclaimed on car purchases.

For car manufacturers already suffering from the steepest UK new car market recession since the Second World War, this is a matter of considerable anxiety. In Britain, executive cars, bought or leased with corporate cash, traditionally have been specified with lots of "extras" and have provided their makers with high profit per unit.

Executives, depending on their status, have tended to be allocated a choice of car within a given price band and, not unnaturally, have sought to have their cars specified as close to their price "ceiling" as possible.

The worry of the car makers is that, given a cash alterna-

tive, uncomfortably large numbers of executives might decide that a smaller, cheaper car is adequate for their needs.

The manufacturers already have enough to worry about. No sooner did they feel mostly exonerated by the Monopolies and Mergers Commission early this year from consumer group charges that UK cars were over-priced than, last month, another report ordered by EC competition commissioner Sir Leon Brittan reached another conclusion:

In extreme cases, it said, UK car prices could be 40 per cent or more above those in continental Europe.

It has suggested that, if the industry wants to keep its system of exclusively franchised dealers, it is time to put its house in order.

The prices controversy had already been rumbling on throughout the recession which has seen UK new car sales plunge from a record 2.3m in 1989 to 1.6m last year and, some industry leaders such as Mr Ian McAllister,

Ford of Britain's chairman, fear, a "worst case" 1.5m this year.

Against this highly charged background, there were inevitable pressures for a discounting war. At the executive level, Ford began offering big discounts on its Granada range, and the other big producers hit back in similar vein. The trouble is, very little has worked.

UK business, almost irrespective of sector, has become rather more interested in the problems of survival than in what cars to buy for its executives. With the old argument in favour of executive "perk" cars - that they are a necessary weapon to attract high calibre staff - now just a mocking memory, for many companies the issue has become for how long they can put off buying any replacement cars at all. Suspicions about the whole car pricing debate have simply added to the propensity to "wait and see".

While there is little to relieve the gloom at the moment, by the end of this year the long hiatus could be coming to the rescue of the manufacturers, for the simple reason that tens of thousands of cars normally replaced at two- or three-year intervals are still solidifying on after four years or even longer.

Repair bills have been climbing rapidly - and embarrassing incidents proliferating. As just one example, one executive of a nationally-known UK concern had to cancel a business meeting when, a few hours before, his car failed its MOT test.

Evidence that a wave of replacements cannot be long delayed is also starting to mount. Auction houses are starting to report a glut of high-mileage executive cars coming through their compounds. According to Mr John Bailey, managing director of Independent Car Auctions: "The market is starting to become swamped with high-mileage executive cars".

Until now, he suggests, the glut has had only a slight impact on their resale values. But there are now so many, he warns, that they are likely to become difficult to sell.

John Griffiths

THE EUROPEAN MARKET

Catching up fast

SENIOR British executives tempted to move to a continental Europe-based company in the EC's single market next year, but concerned about possible loss of the company car which is among the most halcyon of UK "perks", have rapidly decreasing cause to worry.

Studies by management remuneration groups such as the Monks Partnership and Brussels-based Wyatt Company provide firm evidence that most continental European countries are moving towards British levels of provision, even while UK Chancellors have shown a desire to squeeze such perks out of the remuneration system.

Indeed, at managing director level, the UK now ranks only sixth in the European league for automatic car provision. Admittedly, that is splitting hairs since 96 per cent of managing directors in Britain get one, according to Monks survey figures. But Britain is nevertheless behind France (97 per cent), Spain (98 per cent) and, most of all Austria and Germany, where Monks found 100 per cent allocation. Even four out of five Swiss managing directors - better able than most to buy their own Mercedes - received either a car or an allowance with which to buy one.

British managing directors contemplating "opting out" of their own company cars as a result of increasing personal taxation on its benefit might not, however, be too impressed at the average size of allowance - £10,238 a year according to Wyatt's statistics, which currently would not cover one year's depreciation on some quite modest executive cars in the depressed UK market.

At director level, Germany and Ireland have moved up to share equal ranking with the UK on 97 per cent provision but, according to Monks' statistics, the gap is narrowing swiftly with countries which, even until fairly recently, expected most directors to buy their own. Even Belgium, once notably miserly towards its directors, now provides cars for two-thirds of directors.

The further down the managerial tree such surveys

descend, however, the more the "old" picture of the UK as a particularly benevolent country for car provision does re-establish itself.

At middle manager level, one half of Spanish employees, for example, are offered cars while 96 per cent of their British counterparts - almost the same percentage as managing directors - receive them as a matter of course. On present trends, however, the gap will close significantly over the next two or three years - only just over one third of Spanish managers were receiving cars in the late 1980s.

French middle managers have reason to smile as well. Last year, according to the Monks survey, 54 per cent of middle managers received

The overall hierarchy is a source of particular satisfaction to Audi, the Volkswagen group's executive car arm. The Audi 100 has been "top of the pops" since the late 1980s

cars, compared with only 30 per cent two years previously.

The survey shed some interesting light on some of the cultural differences between countries in terms of the cost and type of cars provided. In Spain, for example, Monks found that the managing director's car is likely to cost at least three times more than that of the sales rep. In egalitarian Sweden, however, the chief executive's car often costs only about one-third more than the salesman's.

The UK is not notably more egalitarian than Spain. Indeed, the Monks study found that the average of £28,900 which British managing directors spent on their cars was the highest of all the countries in the study, although this is explained in part by high purchase taxes - since reduced as a result of the cut in Special Car Tax from 10 per cent to 5 per cent.

Of particular interest to UK businessmen, as they await the conclusions of a government-ordered review of the

current structure of company car taxation, might be the extent to which other European countries offer their executives a choice between a car or a cash allowance.

In Britain, according to Wyatt's statistics, only between 3.4 per cent and 4.3 per cent are offered such a choice, irrespective of whether the employee is a rep or the chief executive. At the other extreme, between 57 and 90 per cent of Norwegians, depending on job category, get the choice, as do between 15 and 20 per cent of Germans.

Self-evidently, the choice of car made by Europe's executives is a matter of profound importance to their manufacturers. So what exactly is most popular?

According to a compilation made by the FT's Jobs Column from the vehicles most mentioned within the Wyatt research, for all management levels averaged over 17 countries, the league table runs:

1, Audi 100; 2, Ford Scorpio; Granada; 3, BMW 5 Series; 4, Renault 25; 5, Opel Omega (Vauxhall Carlton); 6, Volvo 700 Series; 7, Mercedes 200 Series; 8, Peugeot 405; 9, Renault 21; 10, Ford Sierra.

For chief executives only, the "top five" list reads 1, BMW 5 Series; 2, Audi 100; 3, Volvo 700 Series; 4, Mercedes 200 Series; 5, Saab 9000.

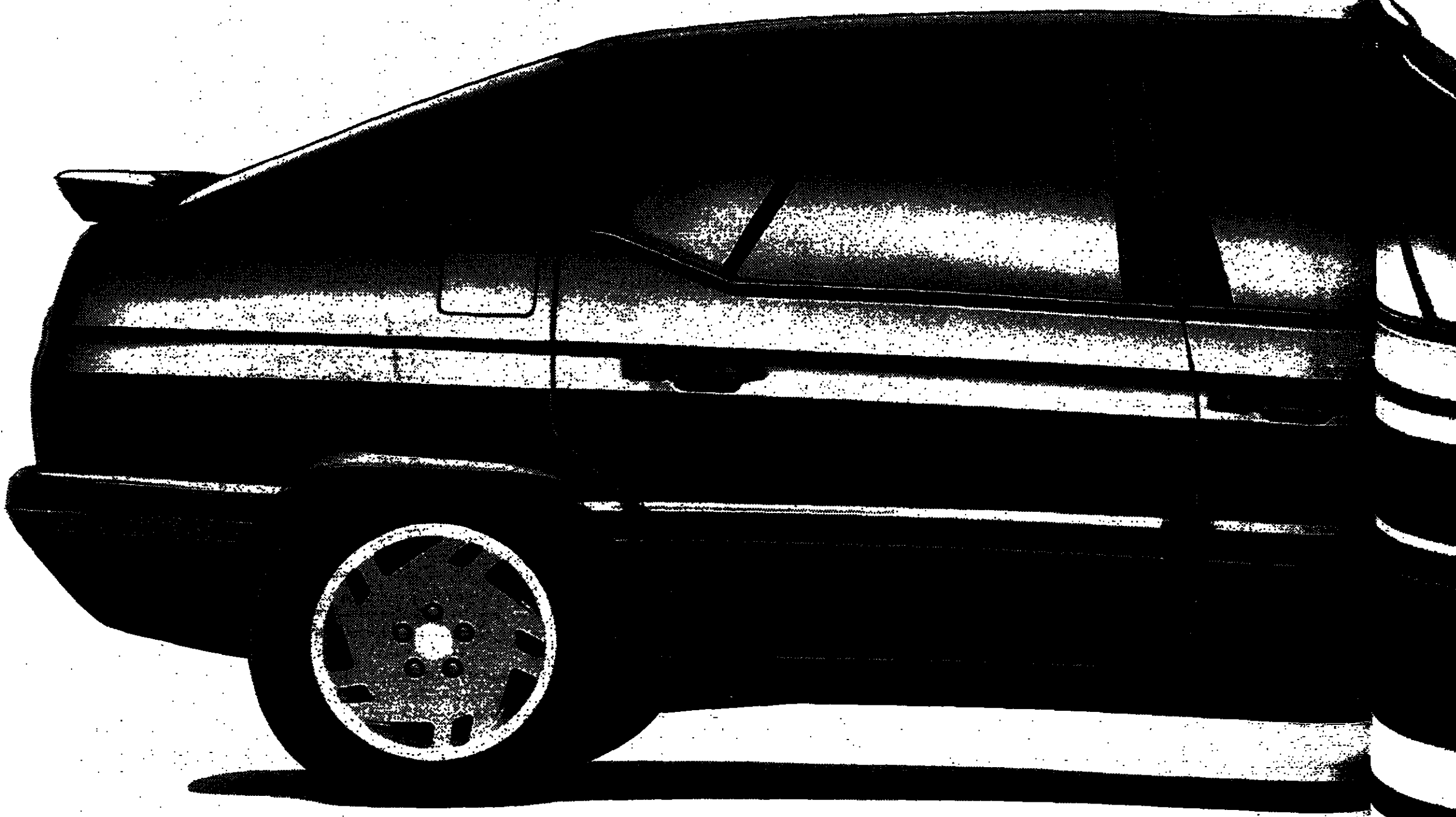
The overall hierarchy is a source of particular satisfaction to Audi, the Volkswagen group's executive car arm. The Audi 100 has been "top of the pops" since the late 1980s.

What has yet to show up in any of the charts is an executive car with a Japanese badge attached to it. But with what started out as a trickle of Japanese executive cars starting to become a flood, it is a moot point for how long such a situation will prevail.

Company Car Report Europe, from Wyatt UK at 21 Tothill St, London SW1H 9LL telephone 071-222 8033, fax 071-222 9132, E510.

Monks Partnership European Company Car Survey 1992, from Monks Partnership, Dedden Green, Saffron Walden, Essex CB11 3LX, £150

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EXECUTIVE CARS 3

SPECIALIST MANUFACTURERS

Even prestige marques feel the pinch

THE PAST year has exposed with increasing severity difficulties facing the smaller, specialist car makers.

In the UK, where new car sales are suffering from one of their steepest post-war recessions, the result has been receivership for some of the smallest names.

These have included sports car makers Reliant and Ewante; although such is the optimism which seems to infect those who come into contact with specialist car-making, that each has subsequently found a buyer and is spluttering back to life.

Even the most prestigious marques, however, are taking a severe battering, with Porsche and Rolls-Royce among the most notable victims.

At the beginning of this month, the Stuttgart manufacturer whose luxury sports cars came to symbolise yuppie aspiration and entrepreneurial achievement in the 1980s, announced that it was making 850 of its workforce redundant.

This was on top of 950 announced a few months earlier, bringing the workforce down to around 7,000.

The reason lies in slumping sales figures — to near-catastrophic levels in the US, which was once Porsche's largest single market.

In its current financial year ending next month, Porsche expects to have delivered 22,000 cars worldwide. That may not sound too severe a drop from the 26,000 of 1990-91, but it compares with sales of more than 50,000 in the mid-1980s. The US, where Porsche was finding 30,000 buyers a year in the mid-1980s, last year absorbed fewer than 5,000.

The job-cuts and other economies should lead to DM100m (£34.3m) in operating-cost savings next year, and Porsche should still just make a profit in the current year, according to its chairman, Mr Arno Bohn.

But the first-half profit was a water-thin DM2m, and, measured by sales, Porsche is getting perilously close to the danger level in terms of viability. Break-even lies only 1,000 units below last year's delivery level.

What has gone wrong? Mr Bohn's explanation is that, in the US in particular, "the desire to buy luxury goods is not there" and that "there are problems with the social acceptability of cars costing DM100,000 or more."

The explanation is valid as

far as it goes. Honda, for example, has seen US sales of its \$38,000 NSX mid-engined "supercar" fall by 33 per cent so far this year, and other high-performance sports car sales have also weakened.

Underlying Porsche's problems, however, is competition, intensifying at extraordinary speed, from Japanese rivals for which, only a few years ago, previous Porsche managers regarded with barely-disguised contempt.

Mazda, Mitsubishi, Nissan and Honda all have significant rivals to Porsche's models, are introducing new ones at a daunting rate and, backed by their volume car businesses, possess the advantage of being able to charge mostly cheaper prices. In contrast, and despite the 944's facelift, an aura of ageing familiarity hangs over all three of Porsche's current model range.

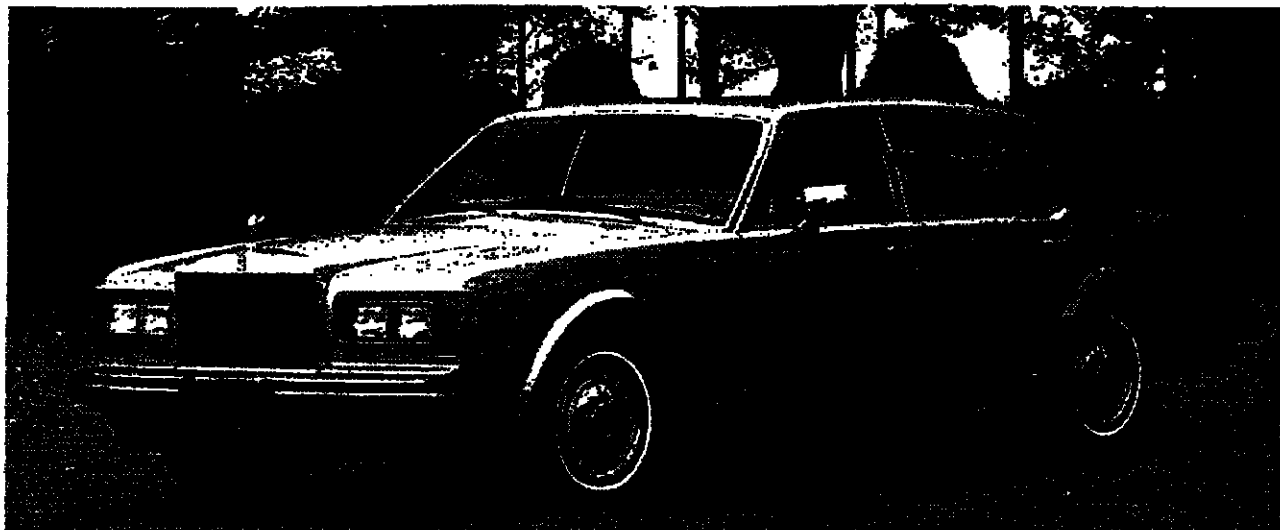
US buyers have so far shown relatively muted enthusiasm for Porsche's latest offering, a heavily-revised 944 model, which Porsche regards to be "different" from the 944 to be redesignated the 968, and which went on sale in the US at the end of last year for \$40,000.

The company needs a heavy investment programme in new product and, its critics say, has been too slow and too cautious in coming up with one. Although it still has substantial cash assets, its size leaves it at a financial disadvantage relative to its larger competitors in terms of long-term investment funding.

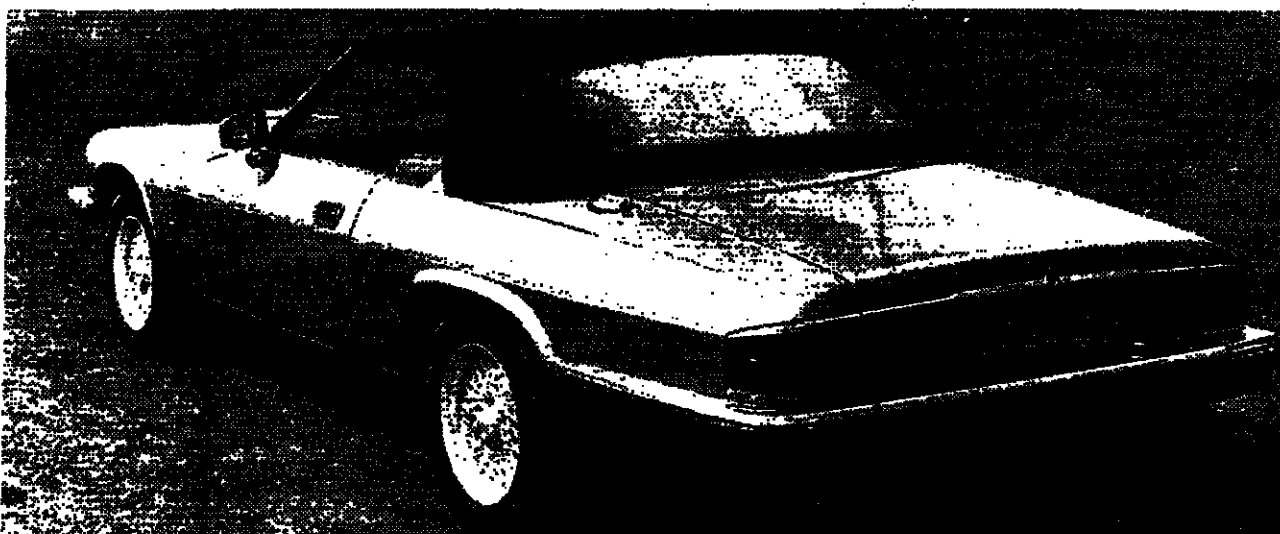
In the opening months of this year, there were faint signs that the worst of Porsche's problems in the US might be coming to an end.

Sales to the end of April were down "only" another 5 per cent, at 1,482, according to *Automotive News* statistics. And the company has been jolted into action on the product front. Plans for a new, up-market four-seater have been shelved. By 1996, a new sports car pitched squarely at Japanese rivals such as the Mazda RX-7 should be on the road.

Strains have been felt throughout the group, not least in management. Mr Bohn him-



Rolls-Royce Silver Spirit II: In a good year, the company builds a total of 3,000 cars. Sales in 1991 plunged 48.3 per cent to 1,723.



Jaguar XJS 4.0 Convertible: The company is developing new product plans, including a smaller luxury saloon, under Ford's wing.

self earlier this year threatened to resign when Porsche's supervisory board initially failed to approve renewal of his contract after it expires at the end of this year — he has since had it renewed for three years.

And the long-serving chief executives of Porsche's subsidiaries in both the US and the UK have decided to leave the company in the past year.

Inevitably, speculation has arisen about whether Porsche can retain its independence. Despite offers from Mercedes-Benz and others, Mr Bohn

insists that the Porsche and Piech families-controlled company remains not for sale.

At the Crewe headquarters of Rolls-Royce Motor Cars, the strain has been no less intense.

The chairman and chief executive, Mr Peter Ward, and his management team at the UK's most prestigious car company have spent much of the past six months uncertain as to whether Rolls-Royce will remain part of Vickers, the UK engineering group which has owned it for more than a decade, or whether the com-

pany will, in the end, be sold.

Certainly, Vickers has tried hard to sell it — to the consternation of die-hard Anglophiles, who feel that Rolls is quintessentially English and that its sale to a probably foreign buyer should not be contemplated. To their relief, Vickers has yet to receive an offer which it regards as high enough, despite discussions with a number of companies including BMW.

The problems at Rolls are similar in type, but not scale or detail, to those at Porsche: a

company whose physical size is a lot smaller than its reputation (in a good year, Rolls builds around 3,000 cars), and recession in all its major markets. So in the space of three years Rolls has gone from being the profits flagship of the Vickers groups to a significant loss-maker.

Sales in 1991 plunged 48.3 per cent to 1,723 — the lowest level since 1968 — from the record 3,338 achieved in 1990, dragging Rolls down to a £30m trading loss last year.

Sales this year are expected

to be at around the same level, although losses should be cut to £15m or less as a result of extensive job cuts and other savings. Again, though, the worst may just be over. Rolls is cautiously predicting that, by the end of the year, it may be trading at breakeven.

For some of the best-known specialists, at least, survival in a harsh climate is no longer an issue — but only because they have become acclimatised to life under the ownership of volume producers. Thus, while Jaguar is still struggling to reverse sales which, worldwide, fell sharply last year and plunged production from nearly 42,000 in 1991 to fewer than 23,000 last year, it is developing major new product plans, including a smaller luxury saloon, under the wing of its owner, Ford.

Aston Martin is able to plan a new "cheaper" sports car — likely still to cost close to £100,000, however — for 1994, thanks to the financial underpinning of 75 per cent ownership by Ford. The car is to be built at a rate of 325 a year, and with its own unique Aston Martin engine; but not at Aston Martin's traditional "home" at Newport Pagnell, Buckinghamshire.

Instead, the company is creating a new subsidiary, Aston Martin Oxford, to oversee the car's birth. It will be developed at Kidlington, Oxford, in premises owned by JaguarSport, a 50-50 joint venture company between Jaguar and Mr Tom Walkinshaw's TWR Group, which also operates Jaguar's racing activities.

The NPX will actually be built at JaguarSport's manufacturing plant at Bloxham, Oxfordshire, where a new Jaguar "supercar", the £350,000 XJ220, has just entered production.

JaguarSport is making only 350 XJ220s, and the premises are expected to be devoted entirely to Aston Martin after the last XJ220 comes off the line in two years' time.

Meanwhile, Group Lotus, the UK specialist sports car-maker has cut its workforce by 40 per cent. This followed poor sales of its Elan sports car, output of which was down 58 per cent in this year's first quarter, to 338,

after having reached 2,240 for all of 1991. Nevertheless, it can be fairly sure of a long-term future under the ownership of General Motors.

The swallowing up of the industry's "minnows", however, is not an irresistible trend.

TVR, at Blackpool on the UK's north-west coast, has survived since 1954 by making hairy-chested tubular steel and fibreglass sports cars, which require relatively low tooling costs and give a considerable degree of design flexibility. TVR has soldiered on, never making more than a few hundred units a year, mainly because its cars' styling, design and sometimes eccentric standards of finish have proved attractive to only a small coterie of enthusiasts.

Its recent launch of a new model, the Griffith, caused a minor sensation, however. The car was compared favourably, at least in styling terms, with much more prestigious marques. Consequently, TVR is for the first time contemplating production of more than 1,000 cars a year.

It has been left to AC Cars, however, to buck the takeover trend completely. In 1987, with all the volume manufacturers buying up minor nameplates as fast as they could go, Ford bought a 50.95 per cent stake in AC, a Surrey-based specialist sports car company, for £1.8m.

Ford bought the stake mainly because of AC's production of the Cobra, a major image builder for Ford in the 1960s, when it sold the Cobra through its North American dealer network. Now Ford is selling its holding, for an undisclosed sum, back to Mr Brian Anglias, AC Cars' managing director, who also controls Autokraft, a private company which holds the minority stake in AC Cars.

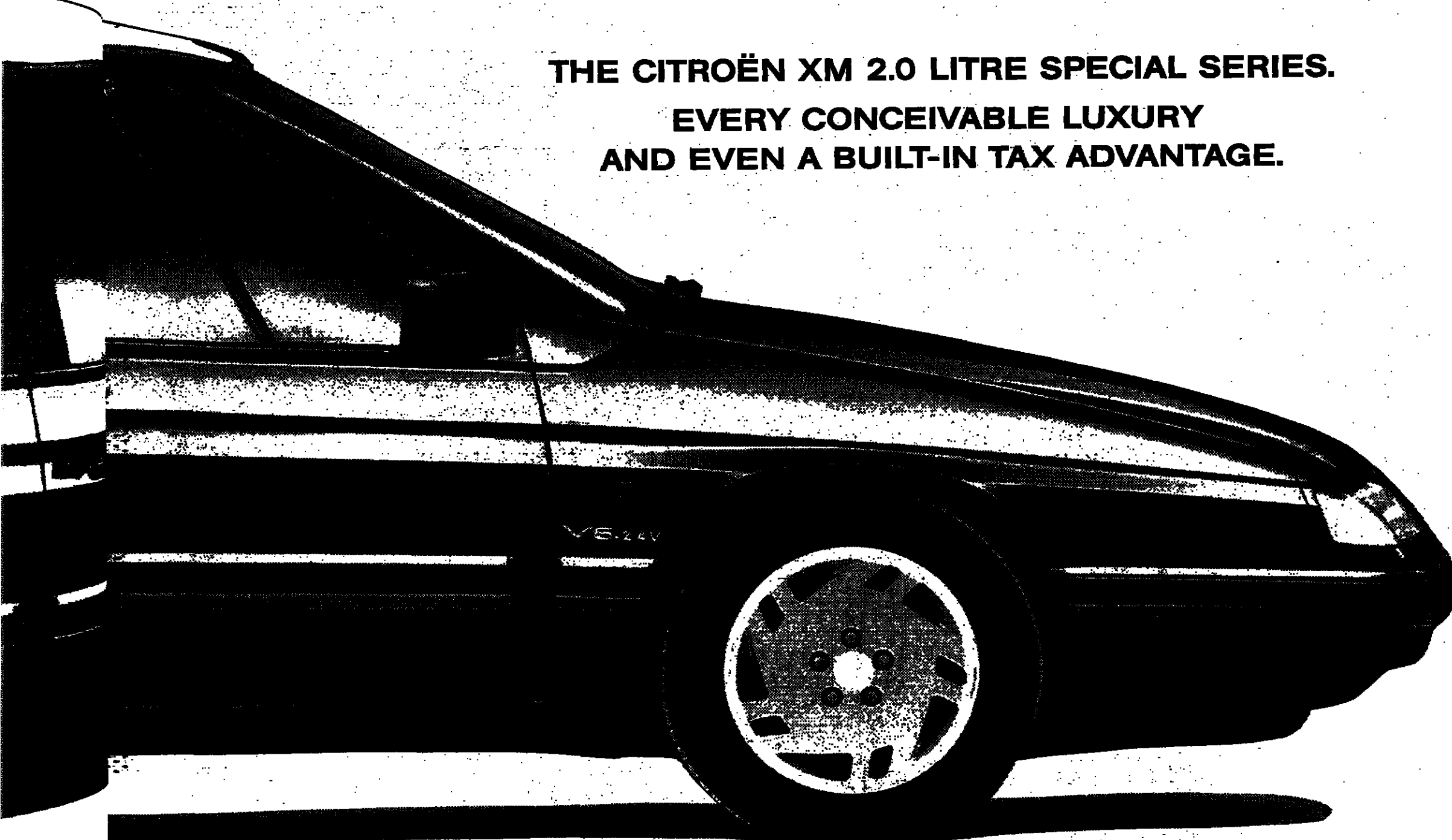
Both sides say the sale was amicable, and Ford will continue to help AC to produce a new, low-volume sports car while retaining the right to the Cobra name in North America. Behind the scenes, however, lies the old culture clash between corporate and individualist.

Mr Anglias now intends to find a new partner to put the car into production at volumes of 500-600 a year. Resurrecting another old AC name, it is to be called the Ace. Whether Mr Anglias has played one, only time will tell.

John Griffiths

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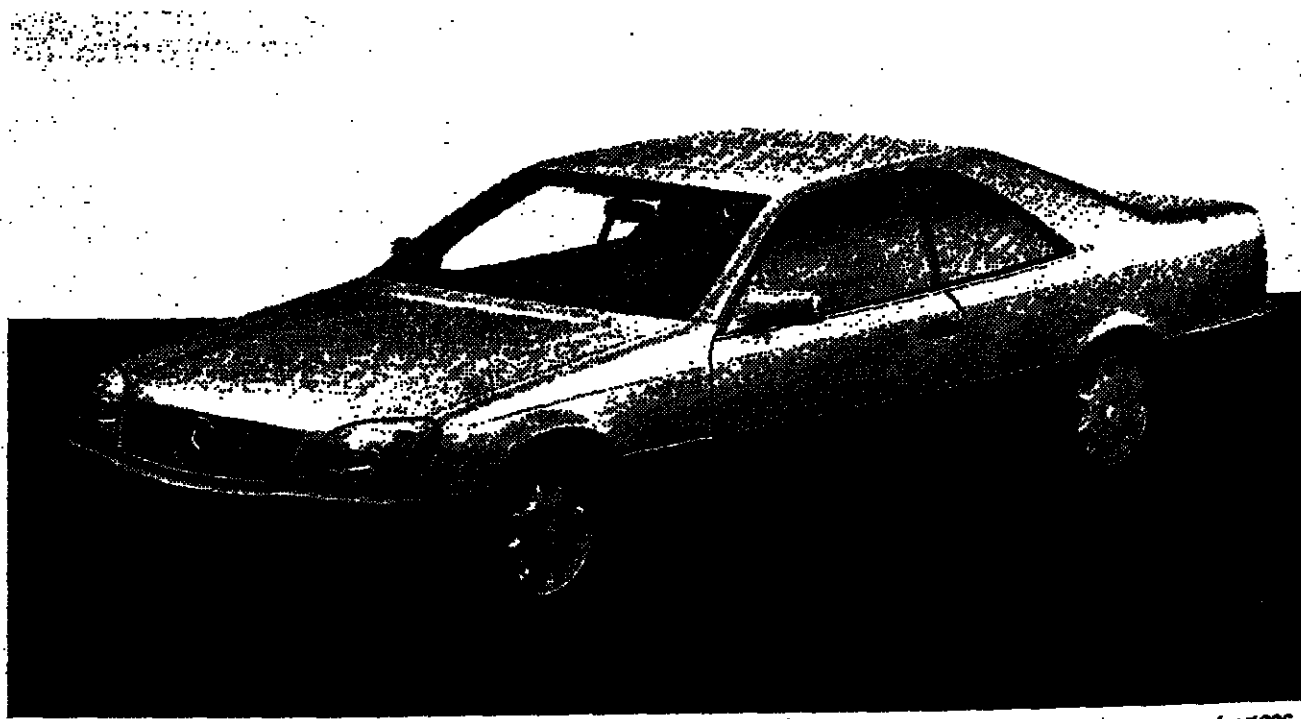
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EXECUTIVE CARS 4



Mercedes-Benz 300SE: The "Made in Germany" label is no longer enough. Rivals have been using every sales stunt in the book



Mercedes-Benz 600SEC: The new plant at Rastatt, only the company's third in the country, will output 90,000 cars a year by 1996

MERCEDES-BENZ

New car plant will be test-bed for 'lean production'

THE label "Made in Germany" which has served for so long as the prime marketing tool of the federal republic's quality car makers, is no longer enough. Recession everywhere, luxury taxes in the US, and the opposition using every sales stunt in the book have hit them hard.

Mr Arno Bohn, head of hard-pressed Porsche, goggles as he tells of a US Rolls-Royce dealer giving away a mid-range Mercedes with every Silver Cloud.

Mr Werner Niefer, Mercedes-Benz chief, mutters darkly about dumping and "strategic pricing" capers which lead to

Mercedes-Benz has set about improving its competitive condition through its own efforts

Toyota's selling its Lexus in the US for less than \$40,000 and for more than \$55,000 in Germany.

Meanwhile, German makers are getting their act together. Mercedes acknowledges that Japanese manufacturers on average have a 35 per cent production cost advantage over their German competitors. About 10 per cent of that is accounted for by relatively low capital costs in Japan and the extraordinarily long working hours the competition squeezes out of its workforce.

While social evolution and globalisation of capital markets work at eroding these advantages, Mercedes-Benz has set about improving its competitive condition through its own efforts.

The most obvious signs of emergent determination to cut the fat have appeared in the past few months in announcements of huge job cuts among all German motor manufacturers. The half-way mark in Mercedes' plan to slash its workforce by 20,000 will be reached by the end of this year.



Rastatt: Rotary cradles provide excellent access to the underside of vehicles, enabling easier installation of hydraulic lines

The aim is clear. As Mr Niefer and his colleagues have stated: additional wage costs, which exceed improvements in productivity, will not be passed on to customers. They will be paid for indirectly by the German workforce. While forced redundancies are almost unknown in Germany, job cuts will be achieved by non-replacement of people moving on and "social measures" includ-

Component suppliers will in future work far more closely with the Mercedes research and development teams

ing early retirement and training for other jobs.

Accordingly, this year's 5.8 per cent pay rise - adding an extra DM600m to Mercedes' costs - will lead to cuts of between 8,000 and 10,000 jobs

by the turn of the year. There are already rising expectations in industry and government that the narrow squeak in this year's engineering pay round - a damaging national strike was averted at the last minute - and the 23-month duration of the deal, may mark a turning point and a return to the traditional German pattern of "rational" pay settlements.

The implementation of recommendations from leading management consultancies that the auto, engineering and electronics industries should shed almost 400,000 jobs in the next few years, already widely underway, should underline the message to the powerful IG Metall union.

Meanwhile, Mercedes is adding capacity. Its new car plant at Rastatt, close to the border between Baden-Württemberg and Alsace, will steadily increase output to 90,000 cars a year by 1996, rais-



Niefer mutters darkly about 'strategic pricing' capers

ing group capacity from 580,000 today.

The works, only the company's third in the country, appears to be a demonstration of faith in the old "Made in Germany" principle.

It might also be considered a remarkable development in the light of constant claims from Mr Edzard Reuter, chairman of the Mercedes parent, Daimler-Benz, that domestic production costs are killing off Germany's attractions as a manufacturing base. But it is much more than a factory: it is a test bed for the company's future manufacturing strategy.

Especially in its early days, Rastatt will function as a proving site for new techniques in "lean production", logistics and manpower management which will subsequently be introduced into the group's other established works at nearby Sindelfingen and Bremen in the north.

The lessons will also be passed back to component suppliers, which will in future work far more closely with the Mercedes research and development teams. One initial short-term aim is to reduce the number of parts which have to

be handled and fitted at the works. Suppliers will be required to supply complete pre-assemblies built and tested precisely to Mercedes standards.

The clearest clues to what is afoot in Rastatt are provided by the absence of anything resembling a conventional production line and the presence of teams of 10 to 15 workers clustered around custom-built cradles swinging body shells to and fro giving them easy access to bolt holes and fixing points.

This is "group working" German-style. Not, Mr Niefer stressed, copied from Japan or Scandinavia, but developed specially to suit domestic conditions.

Teams of eight to 10 are given responsibility for each stage of assembly. Members elect their own spokesperson, organise their own work as they choose, manage their own logistics, swap jobs when they



Rastatt: Height-adjustable work platforms for pre-assembly

like, mend their own tools and equipment, fix holiday rotas and resolve problems as they go along.

A quality card, marked with each worker's individual stamp and signed off with a group stamp, travels through all stages with the car. At the end of processing, the vehicle will typically roll directly into a loading bay or storage park.

Each day only one or two will be given an overall quality check. Just as Rastatt has no conventional assembly line, it

also has no bottleneck bay at the end of the line - typical of most German plants where cars are checked over and defects corrected.

Quality, Mr Niefer said, is built in. So, too, is economy. While 10 per cent of the 45,000 Sindelfingen workforce is occupied solely with quality control and end-of-line repairs, at Rastatt the line worker and quality controller are one and the same person.

Christopher Parkes

CADILLAC

Big reshuffle is designed to improve company efficiency

MR John Grettenberger, the head of General Motors' Cadillac luxury car division, has a bit on his hands.

The new 1992 Cadillac Seville, GM's answer to the threat posed by cars such as Germany's Mercedes and Japan's Lexus in the luxury market, has won over not only enthusiastic praise in the US motoring press, but also customers in the showrooms.

The Seville, and the new Cadillac Eldorado, introduced at the same time last autumn, have given a significant boost to the division's US car sales, which were up some 7 per cent over 1991 in the first five months of this year in an admittedly growing market.

The company's market share

GM has been losing billions of dollars on its North American operations

rose by a modest one tenth of a point.

Perhaps more important, the company has begun attracting back younger buyers, whom it needs to take the place of its generally elderly customers.

Mr Grettenberger says the Seville has also attracted attention in Europe where Cadillac's sales have risen from just 291 vehicles in the 1991 model year to almost 1,500 in 1992.

This is a much-needed morale booster for GM which has been losing billions of dollars on its North American operations, prompting a revolt

by non-executive directors on its board last April.

The company is now in the throes of a huge upheaval designed to slim it down and make it more efficient.

Cadillac's success with the Seville demonstrates what GM is capable of in good design and engineering when it pulls all the stops out - although the group's problems are also underlined by the fact that the Seville was a year late in hitting the market.

"We decided that we were not going to bring it to market until it was absolutely correct and that required adjustments to our ideas," says Mr Grettenberger.

The name Cadillac used to define the American luxury car. But in the 1980s, along with the rest of GM, the division gained a reputation for poor quality and fired design.

The past few years, however, have seen a sharp reversal of those trends: the Seville has picked up numerous design awards while Cadillac's reputation for quality has steadily improved.

J.D. Powers and Associates, the car market research group, now ranks Cadillac among the leading US vehicle vendors for customer satisfaction.

Much of this is due to the division's Total Quality Management (TQM) practices pioneered by Japanese companies, which began to become popular in the US during the 1980s.

TQM stresses the need to ensure top quality in all an organisation's operations, with particularly emphasis on



Into the future: the 1993 Cadillac Allanté. Cadillac has begun attracting back younger buyers, whom it needs to take the place of its generally elderly customers

customer satisfaction and worker participation.

Cadillac's efforts resulted in it winning the prestigious Baldrige award, a national competition for TQM, although it only did so at the second attempt.

The group's attention to customer satisfaction played a role in the extensive market research that went into the design and styling of the

Seville and Eldorado.

The proposed Cadillac vehicles, together with domestic and foreign rivals, were shown to some 8,000 people across the US who intended to buy luxury cars.

"We made a special effort to insure we had imported luxury cars there as well," says Mr Grettenberger.

One of the main messages was that Cadillac needed to

improve the interior design of its cars. Younger buyers, in particular, disliked a lot of the ornamentation traditional on its models.

At the same time, Mr Grettenberger needed to maintain the distinctively American feel of its cars.

"Cadillac is clearly a North American vehicle and anything we do that is not true to that would be suspect."

In the hope of attracting European buyers, the company has now begun product clinics there for vehicles it intends to introduce in 1995 and 1996. "I think we're starting to get grass-root voices and customer input from the Continent and this has good applications for the Far East as well," says Mr Grettenberger.

Cadillac is sufficiently encouraged by its progress in

Europe to have started reactivating its largely dormant network of dealers.

The message from them, says Mr Grettenberger is: "Address the performance, handling and efficiency demands of the European market but remain American. Don't try to be a BMW, a Mercedes, in terms of overall style."

With Cadillac offering no

rebates (other than a little bit of leasing support) on the \$38,000 Seville, Mr Grettenberger says the division is making "very good profits."

That said, Cadillac's Hamtramck, Michigan plant is operating far below its potential output, reflecting the huge overcapacity that afflicts GM throughout the group.

Nevertheless, Mr Grettenberger believes Cadillac will remain largely immune from the rationalisation now shaking up the rest of the group.

He also believes that the luxury car market is set to grow, but the competition will become even more ferocious because "it's still an area of the industry where you can get a good return for your invest-

Cadillac's Hamtramck, Michigan, plant is operating far below its potential output

ment," he says. "The demands of the customer are going to continually increase," says Mr Grettenberger.

He believes the ability to get repeat business will depend crucially on "maintaining high levels of satisfaction throughout the ownership experience."

"If you want to be a success," says the Cadillac chief, "you had better be sure that you're not just meeting customers' expectations, but exceeding them."

Martin Dickson

**Any car can avoid the rabbit.
A Primera also avoids the truck.**

You're driving on an ordinary evening, on an ordinary highway. Late from work as usual.

Suddenly, a rabbit appears on the wet asphalt. Blinded by the inescapable beam of your headlights.

Here's where your day stops being ordinary. Your reaction is sure and exact. You twist the steering wheel. While cutting across to the other side of the road, you're thankful for having saved a life.

Just then you are trapped by the lights of a huge truck, storming in your direction. (You realise how the rabbit must have felt.)

At that very moment, a Primera starts showing its true colours. You're veering back. Without losing a fraction of stability.

Equipped with the most advanced suspension in its class, you stay in total control. (The multi-link

front suspension wasn't only made for your comfort.)

You open up your 16-valve engine and you're back on the right side of the road. At the right time.

The entire manoeuvre costs you a split-second. But it could have cost you a lot more.



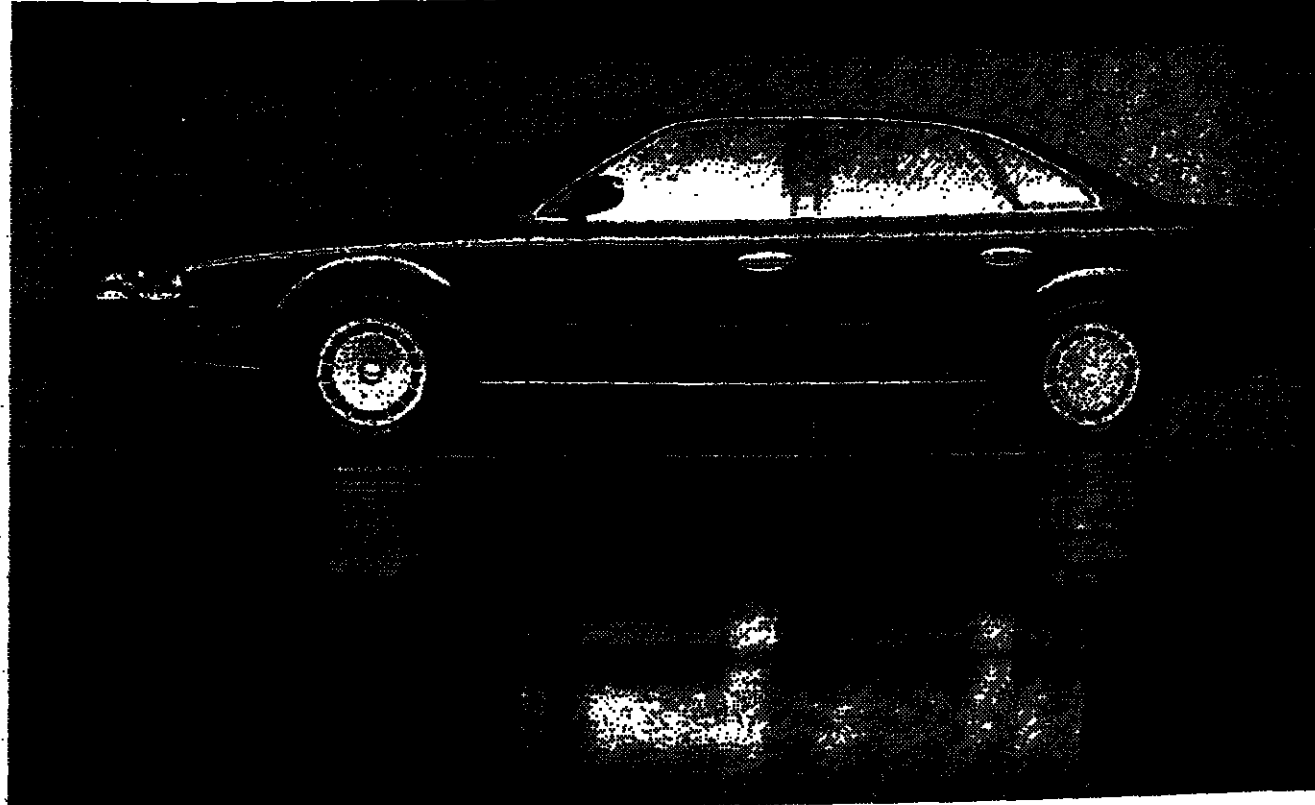
Nissan Primera. The performance car for a country called Europe.

Model shown SLX. Specifications may vary in every country. Alloy wheels optional. The Nissan Primera is available in 4-door Sedan, 5-door Hatchback and Station Wagon models.

EXECUTIVE CARS 6



Lexus SC 400 sports coupé: Sales volumes of Toyota's Lexus franchise rose by 12.1 per cent to 71,206, outselling German rivals



Infiniti Q45: Flagship of Nissan's four-model Infiniti range. The franchise increased US sales by 45.6 per cent to 34,890 last year

□ THE JAPANESE CHALLENGE

Skirmishes in Europe; pitched battles in the US

It was only days after Peugeot and Rover, the European car makers, decided to pull out of the US car market last year that Mazda, Japan's fourth-largest car manufacturer, announced it was creating a separate luxury car franchise in the US.

Mazda is following in the tracks of Honda, Toyota and Nissan. The contrast between European retrenchment and Japanese expansion in the US underlines the startling progress Japanese carmakers have made in the higher reaches of the American car market since Toyota and Nissan launched their luxury franchises in autumn 1989.

In some months last year, Toyota's Lexus and Nissan's Infiniti franchises both outsold BMW and Mercedes-Benz in the US.

Infiniti and Lexus came first and second in the latest Initial Quality Study published this month by J.D. Power, one of the most authoritative US analysts of quality and customer satisfaction in the world car industry.

The Japanese car makers are yet to enter with force into the luxury and executive car market in Europe, but there are

already strong signs that the Japanese challenge will move to Europe during the 1990s. The European car makers know the scale of the problems they are facing because the luxury-executive car battle with the Japanese makers has already been joined in earnest for at least two years in the US.

As the Japanese car makers develop their local production

has shied away as yet from direct confrontation with BMW, Mercedes-Benz and Jaguar in Europe and is only selling limited volumes of its flagship Lexus LS400 luxury saloon. Nissan is not yet bringing its current generation Infiniti cars to Europe.

Mazda is already testing the water, however, with the launch of its Xedos 6 sports saloon, a car which it is pitch-

suffered a drop in sales in the US last year of 49.9 per cent, while Audi sales plunged by 41.8 per cent.

The local American competitors in the US luxury car market fared little better last year with General Motors' Cadillac sales dropping by 17.4 per cent, and Ford's Lincoln marque suffering a drop of 22.9 per cent.

While their rivals were losing sales volume, the Japanese were winning additional market share. Sales volumes of Toyota's Lexus franchise rose by 12.1 per cent to 71,206, out-selling its prestigious German rivals, while Honda's long-established Acura franchise also increased sales by 3.5 per cent.

Nissan's Infiniti franchise was the star performer, however. It started much more slowly than Lexus after the autumn 1989 launch but last year it began to close the gap, increasing its sales by 45.6 per cent to 34,890.

Lexus and Infiniti have both been helped by the launch of new models, and Infiniti has now expanded to a four-model range with the G20, the recently-introduced J30, the M30 and the flagship Q45 luxury saloon. In the first four months of 1992 alone, Lexus has sold 5,132

units of its recently-launched SC400-300 coupé.

This year, the US luxury car market has brightened for several of the players as the US struggles out of recession. Mercedes-Benz has increased its US sales by 18 per cent in the first five months of 1992 while BMW has achieved a 23.8 per cent increase and Jaguar a rise of 12.6 per cent. Cadillac sales are 5.5 per cent higher than a year ago, although Lincoln's fortunes continue to decline sharply with a drop of 18.4 per cent.

The Japanese luxury car players are not infallible in the US and Acura has begun to lose ground this year with a drop of 11 per cent.

Lexus and Infiniti are both still gaining on their rivals, however, with Lexus boosting its sales in the first five months by 72.4 per cent and Infiniti achieving an increase of 38.9 per cent.

Mazda is planning to enter the US luxury car market with a separate sales channel, to be called Amati, in spring 1994. Amati's initial product line-up will be two luxury saloons and the Japanese carmaker aims to sell about 20,000 cars under the new marque in its first year. It

is likely that a sporting coupé will be added later.

Mazda has been studying an entry into the US luxury car market for two years with its Pegasus task-force and has concluded that the prospects are too mouth-watering to be ignored. It says the number of affluent households in the US with an income of at least \$75,000 a year is increasing from 2m in 1988 to 2.5m in 1995.

Motor Corporation and chairman of Mazda Motor of America.

While Mazda is enthusiastic about the challenge and the potential rewards offered by the US luxury car market, some of its weaker European rivals have decided that the strain of competing as marginal players in the world's most fiercely contested arena can no longer be supported.

Like Peugeot, Rover faces a mighty challenge from the Japanese in the UK and in continental Europe during the 1990s

The Amati cars are to be built at a newly-constructed manufacturing plant in Hofu, Japan, dedicated to producing luxury vehicles.

The Amati operation is to be a separate division of the Japanese manufacturer's US subsidiary, Mazda Motor of America, with its headquarters in Irvine, California. A number of regional offices are also to be set up.

"Mazda intends to become a significant competitor in the luxury car market," says Mr Keiji Asano, senior managing director of the parent Mazda

Rover's decision to stop exporting its Rover 800 Sterling range to the US came after continuing heavy losses and dwindling US sales. Ever since the company re-entered the US market under the Sterling brand-name in 1987, it was dogged by quality problems and was increasingly burdened by excessive stocks of old models.

Rover has maintained its separate Range Rover of North America operation to market luxury four-wheel drive leisure vehicles.

Like Peugeot, Rover faces a

mighty challenge from the Japanese in the UK and in continental Europe during the 1990s, and it could no longer afford prestigious but very costly battles in the US.

The withdrawals of Peugeot and Rover from the US mean they will no longer be exposed to the rigours and disciplines imposed by the US market, however.

According to Mr Carl Hahn, management board chairman of Volkswagen, the biggest European car maker which has struggled in America in recent years - with both its VW and Audi brands - "The US market is important in particular because it sets the benchmark for competition in the world market, and also because it shapes social demands on the car, in exhaust emissions for example."

"We simply cannot afford to give up either the opportunities offered by the US market or the learning processes and experience it imposes."

The Japanese challenge in America is still growing and the lessons learned there can be brought to bear at any time in Europe.

Kevin Done



Mazda's Xedos 6 sports saloon: pitched squarely against BMW. Mazda has ambitions to establish a much broader range in Europe



Mazda 628 sedan: A study revealed mouthwatering prospects for entry in the US luxury car market with a separate sales channel

□ TOYOTA and HONDA

Domestic luxury car sales accelerate

WHEN Japanese domestic vehicle registrations went into reverse last year for the first time since 1984, luxury cars were the only market segment to buck the trend, with sales up an impressive 42 per cent. It therefore comes as no surprise that the nation's naturally competitive car industry executives are stepping on the gas to overtake one another in this lucrative and fast-growing market.

To do so, vehicle designers and marketing officials must steer towards luxury car buyers whose profiles are in some respects significantly different from those in Europe and North America.

"The content of the Japanese market is very different," says Mr Junzo Shimizu, deputy general manager of overseas planning for Toyota.

"In the American luxury auto market you're talking mostly about private cars. In particular, lately there have been a lot of baby boomers and what are called yuppies or dinkies (double income, no kids). These are often relatively wealthy people in their mid-40s.

"In contrast, the Japanese luxury car market is a strange one, like no other in the world. The main group of buyers are individualistic corporate presidents, or private business owners. There is also no system in which large company employees are provided with (self-driven) cars."

Mr Shimizu estimates that owners of small companies comprise 50-60 per cent of the Japanese luxury car market, individuals 30-40 per cent and large companies less than 10 per cent. This contrasts sharply both with corporations' small portion of luxury car sales in the US and their roughly 80 per cent share in Europe, he says.

Meanwhile, the emergence of a well-heeled class of owner-managers has been the critical fuel for the recent acceleration of domestic luxury car sales, says Mr Hiroo Watanabe, man-

aging director of Honda's research and development centre in Wako, where the number three Japanese auto maker conducts product planning, styling and other design work.

"The corporate market has changed a great deal in the past five or 10 years. In the past, company cars were chauff-

eur-driven with priority given to the rear seat. But lately, with owners driving themselves around, the front seat is equally emphasised," he says. The importance of this market is not missed by foreign competitors. For example, General Motors of the US has

recently run advertisements in local newspapers showing its Buick Park Avenue and headlined simply: "Company Image."

Increasingly affluent salaried employees also have been buying up a significant share of Honda's range of relatively small luxury cars, Mr Watanabe adds.

"The average buyers are fairly young. Many are in their thirties and some in their late twenties. There is also quite a number of salaried (salaried workers), which wasn't the case in the past."

Over the longer term, both officials said they expected the market for three-number cars to increase steadily. That is not to say the ratio to total car sales will necessarily match North American standards. For one thing, the post-war American baby boom involved a decade of high birth rates, which are now translating into

and bought expensive cars. But now the reverse reaction is rather severe and I'd say growth is likely to slow," says Mr Shimizu.

"We'll be pleased if sales increase, but in the near future I don't think there will be a large rise."

He also describes the rapid sales gains for cars with engines of 2,000cc or over - called three-number vehicles in Japan due to their license plate designation - as a one-time response to a dramatic tax cut two years ago. Over the longer term, both officials said they expected the market for three-number cars to increase steadily. That is not to say the ratio to total car sales will necessarily match North American standards. For one thing, the post-war American baby boom involved a decade of high birth rates, which are now translating into

showrooms filled with affluent middle-aged car buyers, notes Mr Shimizu. In Japan, birth rates jumped for a far shorter period, he says.

Another impediment to dramatic increases is the high dependence of luxury car sales on drivers in leading urban areas. They are, especially

The luxury vehicles in domestic showrooms are money machines, thanks to Japan's gadget-loving drivers

out of domestic showrooms are money machines, thanks to the willingness of Japan's gadget-loving drivers to pay up for lucrative options.

"Americans look for value while Japanese customers have more of an attitude that anything is okay," says Mr Shimizu.

How far does Japanese drivers' willingness to pay for the latest high-tech gadgets go? According to Mr Shimizu, one indication is the 20 per cent of Toyota's top-of-the-line Celestio models, known as the Lexus abroad, that leave showrooms with satellite sensor navigation systems costing the equivalent of \$5,000 - an option not even available in the US.

Overseas, luxury cars are also highly profitable for car manufacturers, which has prompted the three Japanese leaders to set up separate subsidiaries with distinct brand

images in North America: Toyota owns Lexus, Nissan the Infiniti line and Honda markets its high-end vehicles as Acura.

The Toyota and Honda officials said their companies were not seeking under export quotas to the EC to replace large shares of lower priced cars with luxury models or set up independent sales arms as they have in the US.

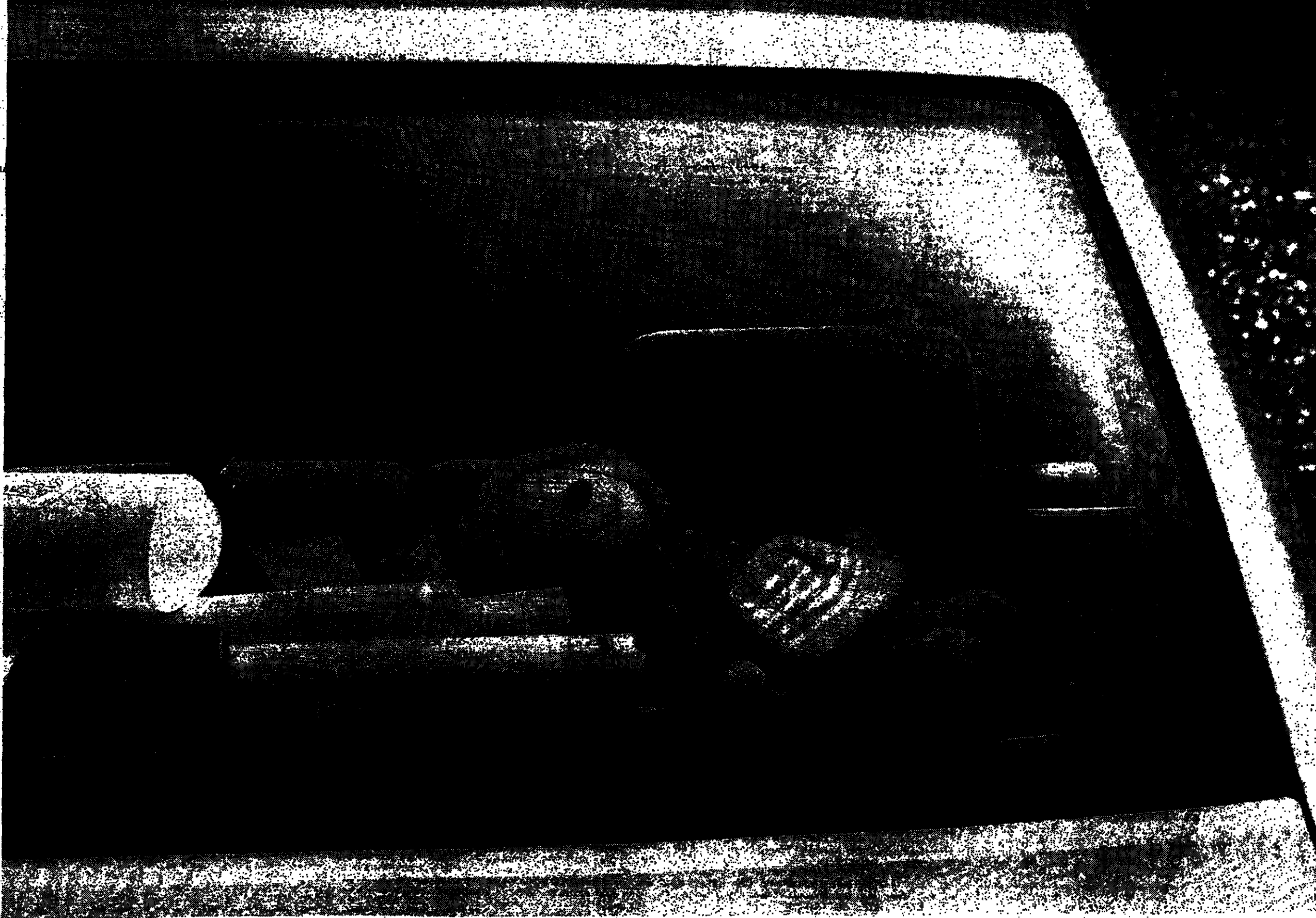
"Toyota is a volume manufacturer, unlike Mercedes-Benz and BMW, so we are not looking to increase luxury car sales while those for regular cars decrease," says Mr Shimizu.

In fact, Toyota sold just 2,100 Lexus cars in the EC last year, compared to 38,000 in the US and 32,900 at home, which helps explain why it is still operating like an upstart in the luxury market.

"We offer many options in the US. But in Europe we sell so few (luxury) cars that we equip them with what would be considered close to the full range of options in America," the Toyota executive says.

Neil Weinberg

THE £15,895 VOLVO 940 S. PERFECT FOR THE NINE TO FIVE. IDEAL FOR THE UNDER TWELVES.



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THE VOLVO 940. YOU CAN'T GO WRONG.

Kevin

Neil Walker

EXECUTIVE CARS 8

SPEED LIMITS AND THE AUTOBAHNS

Free-for-all is over

It was July 19, 1986, on the A5 autobahn between Frankfurt and Kassel. A Porsche 911 was flying up the outside lane at 180 kph when a red BMW swerved out of the central lane into its path.

What happened next may well come to be seen as the deciding moment in the lingering sacrifice of one of Germany's most sacred cows, the right to drive at open speeds without limit on the autobahns.

The Porsche driver slammed on his brakes, skidded, and crashed into a car and caravan in the slow lane. The caravan broke free and collided into a stationary Opel Kadett on the hard shoulder. Both occupants of the Opel were injured.

The red BMW was never traced, so the injured parties decided to sue the Porsche driver for damages. Last March, in court number six of the Federal Supreme Court in Karlsruhe, the judge decided they were right. Because the Porsche driver was not observ-

ing the "recommended maximum speed" of 130 kph, he was partly liable for damages, he ruled.

The free-for-all on the roads is over," the newspapers declared. "130 kph has come through the back door."

The roads lobby refused to be moved. Mr Günther Krause, the Minister of Transport, insisted that "a general speed limit on the autobahns is not necessary."

A spokesman for Mercedes-Benz declared: "The case has no effect on the speed limit."

But few others would agree. Mr Gerhard Schröder, prime minister of the state of Lower Saxony, criss-crossed by main transit routes, said: "The time of unrestricted, reckless driv-

ing on Germany's roads is over."

The lack of a speed limit on Germany's open roads - it is the last member state of the European Community without one - has caused much controversy between a national machine for aggressive driving, the elevation of the motor car, and above all the highly-tuned varieties, to the ultimate status symbol, and the lobbying power of the mighty motor industry.

Against all the evidence advanced by neighbouring states, the German government refuses to accept that speed limits would improve road safety, or reduce atmospheric pollution.

The opposition Social Demo-

cratic Party (SPD), as well as the Greens, have stepped up their campaigning for a change. Mr Klaus Lennarz, deputy environment spokesman for the SPD in parliament, cites opinion polls showing that 71 per cent of the population is now in favour of a speed limit.

In an urgent appeal to Chancellor Helmut Kohl last February, Mr Lennarz called for his personal support to introduce a general limit. He cited steadily rising accident tolls on the autobahns (as opposed to all German roads) since 1985, including the numbers fatally injured.

He quoted evidence to show that noxious exhaust emissions - even with German catalytic converters - increase at an exponential rate with faster speeds. And he said that although only 1.4 per cent of the German road network was actually without a speed limit, that same tiny proportion carries 30 per cent of all traffic movements, which consume an equivalent proportion of overall petrol use.

The chancellor's office replied to the letter only three months later - and two months after the Karlsruhe decision. Mr Bernd Schmidt, however, minister of state, said that the government "does not



Some 1.4 per cent of the road network carries 30 per cent of all traffic

Picture: Ashley Ashwood

consider that rigid speed limits are an appropriate means of improving road safety."

He said that the cause of most accidents was not the absolute speed of the vehicles involved, but the fact that they were travelling at "a speed unsuited to the prevailing traffic conditions."

He said that the evidence available to the government did not suggest that the introduction of a maximum speed limit of, say, 130 kph would have "any significant effect" in reducing energy consumption, and therefore no appreciable effect in reducing noxious exhaust emissions.

The introduction of modern

technology would be more important in improving road safety, he said - a clear reflection of the arguments of the motor industry. The car manufacturers maintain that high performance German cars such as Porsches, BMWs and Mercedes would not be so well developed - or sell so well on the world market - if there was not the demand generated by the free-wheeling German motorists.

The latest eruption in an increasingly anguished debate is the suggestion that the European Commission will soon be able to force Germany to toe the speed-limited European line. Mr Karel van Miert, the

transport commissioner in Brussels, denies any such intention. But the threat has already aroused a backlash.

In the present climate of resentment at excessive Brussels "interference" in national preserves, Mr van Miert's caution is likely to continue. The debate in Germany will therefore probably be decided in the confrontation between the government, the motor industry, and the courts, with steadily rising pressure from the environmentalists.

At the last meeting of Germany's annual traffic courts' assembly, Mr Roman Herzog, president of the constitutional court, the country's ultimate

legal authority, spoke out in favour of a maximum speed limit "if it is not fixed too low. A speed of 130 kph is constitutionally OK." But he also warned that a speed limit which was not enforced would do more harm than good.

The legal argument is that German traffic regulations say that whatever the speed limit, drivers must be "constantly in control" of their vehicles.

It also says that they must drive at a speed "appropriate" to traffic conditions. And it says that a driver can only avoid damages for an "unavoidable" accident - defined as one which an ideal driver, travelling at a reasonable speed, would have been able to avoid.

Mr Hanns Karl Salger, president of the traffic courts, believes that 170-180 kph is probably the "sound barrier" of controllability for both driver and vehicle.

The overwhelming body of legal opinion is now on the side of considering the speed of vehicles in an accident as a clear contributory factor for damages.

That means that whatever the government and the roads lobby may or may not decide, the chances are that German road hogs will now have to start paying a stiff price for their speeding.

And that is why the sorry story on the A5 outside Frankfurt back in 1986 may be seen as the coup de grace for free speeding on the autobahns.

Quentin Peel

Mercedes expects standstill

MERCEDES, balancing short-term expectations of a revival in export markets this year with a 9 per cent fall in domestic new car registrations, expects its passenger car business to stand still during 1992.

And no-one is prepared to make forecasts over a longer term.

The Japanese quality motor

market remains unstable, the rest of western Europe shows faint signs of recovery, and the US a modest reversal of the catastrophic slump.

Mercedes group sales in the US rose 18 per cent in the first four months of this year while the overall market rose by only 2 per cent.

In spite of this, there is no reason for excessive eupho-

ria," said Mr Werner Niefer, group president.

Mercedes sales last year fell 25 per cent as the US market reached its lowest level since 1982, and the current upturn marked no more than a gradual return to normal.

"Unfortunately," Mr Niefer added, "We cannot expect help from the Japanese market either."

The designer of the executive car finds himself increasingly surrounded by pressures and constraints. In order to remain competitive, it is essential that he strives to make his next car even more comfortable, better equipped and safer.

For the first time, however, he is also under pressure to make it smaller and lighter.

Audi's chairman has already said that the recently announced new Audi 80 will be the last of that company's cars to be heavier than its predecessor.

Mercedes managers admit that for all its apparent sales success, the current S-class would have been smaller and lighter if they had begun work on it 18 months later.

Two factors are at work here. One is sheer social pressure. In a few years, one senior car designer has suggested, it will be about as socially acceptable to drive a large, heavy, thirsty car as it already is to wear a wild fur coat.

The other factor is Corporate Average Fuel Economy (Cafe) - the official test fuel consumption averaged across all the cars made by a company in a given year.

Cafe targets have long been set (together with penalties for non-compliance) in the US. They are about to be increased, and they may also be adopted in Europe.

There are several engineering techniques available to improve fuel economy. The problem is that the most easily available have been exploited already.

Ever since the energy crises of the

1970s, cars have had more efficient engines, more gear ratios and better aerodynamics. The only thing left is weight reduction.

It has become increasingly clear that significant weight savings can only be achieved by abandoning current principles of car construction, and in particular the sheet steel body.

Today's car structures have already been ruthlessly optimised by computer analysis, yet cars are getting no lighter.

That is why so many leading car manufacturers are beginning to look very seriously at aluminium as an alternative to steel.

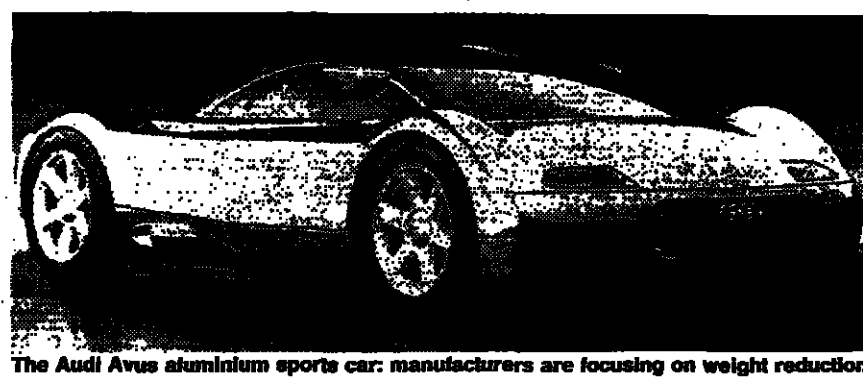
The alternative lightweight material, plastic composite, is very much "on hold" because of today's emphasis on easy recycling.

Audi, working in conjunction with Alcoa, has actually committed itself to part-aluminium construction for its next new model.

By reducing body structure weight by perhaps 30 per cent, aluminium opens the possibility of a benign spiral of weight saving.

A lighter body implies a smaller engine to achieve the same performance, driving throughout a lighter gearbox, with lighter brakes, and so on.

The only question is whether car designers will actually work in this direction and so achieve better economy, or whether they will be tempted to retain existing drivelines and turn the body weight saving into even better performance. The social pressure argument, and



The Audi A8 aluminium sports car: manufacturers are focusing on weight reduction

INNOVATION

Fresh demands on designers

the looming threat of "European Cafe", suggests not.

Some designers also suggest that savings could be made by changing the shape of the executive car. Most of them have been surprised by the success of "one-box" designs such as the Renault Espace.

There is no doubt that executive cars

designed along similar lines could offer as much space as existing models, and more comfort and convenience, in a more compact (but taller) shape.

The question is whether enough buyers would be prepared to abandon the trend towards ever longer, lower but essentially conventional-looking models.

It is at least possible, therefore, that the

executive car of the future may look more different than it really is under the skin. It is certain, for example, that nothing is likely to replace the reciprocating internal combustion engine in the foreseeable future, although some engineers remain enthusiastic about the long-term prospects of a "hybrid" car with electric drive and a very small gas turbine to provide the power generation.

A pure electric executive car seems most unlikely; the electric-car quota soon to be demanded by US legislation is certain to be fulfilled by city-runabout designs.

Transmissions are also unlikely to see any drastic change. The majority of executive cars in 10 years' time are likely to have five-speed automatic transmissions, although their control systems will have become much more ingenious both in their ability to shift smoothly and to assess the driver's style of progress and adapt to it.

This is just one of the many ways in which electronics will make cars easier to drive and more comfortable.

Certainly, electronics will spread ever more from engine and transmission management, where it already holds "such sway, into chassis engineering.

Development departments everywhere are looking at means of exploiting electronic control to achieve a smoother ride and more secure stability and handling.

Many such developments will depend on the ability of systems to tolerate faults without endangering safety, which is why engineers are concentrating so hard on

failure analysis, duplicated systems and the most secure means of communication between different electronic modules.

This area of engineering interlinks with the other likely advance of the coming decade, into intelligent guidance systems to assist the driver and take an increasing share of the decision load.

Most big car companies can now demonstrate prototypes which are capable, for example, of automatically tracking lane markings and of maintaining a safe distance from the vehicle in front, enabling the car to be put "on autopilot".

Such systems can interface with "intelligent" roadside signs and other data transmitters, and potentially also with other vehicles, to provide automatic navigation. We are reaching the stage where such concepts, many of them developed under the pan-European Prometheus programme, are beginning to look really promising - so long as hardware prices can be contained and the necessary standardisation of systems achieved.

Prometheus is about safety as well as convenience. Because most accidents are in the final analysis the result of a driver being presented with one more decision factor than he was able to cope with, such "ergonomic unloading" should make travel by car much safer.

It is certain, in fact, that apart from being much lighter, slightly smaller and much more economical, the executive car of tomorrow will be far safer and easier to drive.

Jeffrey Daniels

AMERICA'S Big Three car makers are waking up to the idea of exporting to Europe once more. The sales numbers are still small, but their commitments mean there is only one way to go up.

Several factors are behind the change, not the least of which is the decision by some of Japan's North American car transplants to start exporting.

If Honda and Mitsubishi can sell American-made cars in Japan and Europe, so can General Motors, Ford and Chrysler.

At the same time, tumbling American sales and the increasing share of the vehicle market taken by Japanese companies have left the Big Three with excess vehicle-building capacity.

Exports would help fill those production lines once again.

Underlying all this is America's huge imbalance in trade. Sixty per cent of last year's \$66bn deficit was attributable

Richard Feast on US makers' plans for exports

Only one way to go

to cars and components.

The Big Three recognise they have to reduce the imbalance.

Chrysler, by far the smallest of the trio, is making the most progress. It sold 44,200 vehicles in Europe last year, way ahead of the 16,000 North American imports by General Motors and 13,000 by Ford.

In a market of 13.44m, they are hardly numbers which will concern sales leaders such as Volkswagen and Fiat. But US plans call for big sales increases of North American-made vehicles in Europe, and that represents a change of direction.

GM and Ford have always sold handfuls of transatlantic

imports alongside the cars and trucks they make locally. They never put much effort into promoting them because, historically, the policy was to build cars where they are sold.

That is still very much the case - and one being followed today by Japan's car makers as they establish manufacturing and design presences in Europe.

Ford's North American numbers were led by the Probe coupé, mainly in Germany as a rival to the VW Corrado and Opel Calibra. More recently, it started selling the Explorer four-wheel-drive sports-utility.

The company's primary purpose is to plug gaps in Ford of

Europe's model line-up. Even so, it reckons it could triple today's European sales to 50,000 by the middle of the decade.

Certainly Ford's next export promises to be more significant. It is the replacement for the Probe, which goes on sale in America next month and in Germany later this year.

It will not arrive in Britain until next year, but it will have right hand drive.

But even Probe is not a pure Ford. It is based on the Mazda MX6 and is made in Michigan by Mazda, in which Ford is a 24 per cent shareholder. To that extent, it could be categorised as an export by a Japa-

nese transplant in North America.

General Motors makes no bones about European sales expectations for future North American models. Mr Richard Lee, the executive in charge of exports, recently said he wants them to reach 125,000 by the middle of the decade. The task seems to devolve on Saturn - a new generation minivan - and the type of people-carrier which Renault popularised in Europe with the Espace.

Mr "Skip" LeFavre, president of GM's recently-formed Saturn division, has always maintained that exports must be a central part of the strategy. All that is missing so far is a date.

But it will be a brave development. Saturn is a range of medium-sized saloons, coupés and estate cars which would compete directly with GM's established European brands, Opel and Vauxhall.

In the main, the American companies are concentrating on model types that are not widely available in Europe, such as off-road sports-utilities and minivans.

GM's new minivan, due in 1995, is expected to be sold by GM's Vauxhall dealers in Britain and by Opel in mainland Europe. In this way, GM will fill a neglected European market niche as well as its pro-

duction lines in America.

Chrysler's European approach has had to be different. Forced to abandon the region in 1970 by bigger troubles back home, it sold its former Rootes and Simca factories in Britain, France and Spain to

Peugeot. It was a transaction which turned the French group into Europe's market leader.

Chrysler may have been out of Europe for a decade but it was not idle. During the absence, it solved its financial problems, launched a vehicle which revolutionised the American market, and bought American Motors - makers of the world-famous Jeep - from Renault.

The new model was the minivan. Together with the similar vehicles which GM, Ford and the Japanese were forced to bring out, Chrysler's minivan has practically killed the estate car in America.

It has also become the cornerstone of Chrysler's manufacturing return to Europe. Mr Lee Iacocca, chairman, and Chancellor Franz Vranitzky of Austria were among the dignitaries who recently dedicated the Graz factory which now produces Voyagers.

The enterprise, known as Eurostar, is a 50-50 joint venture with Steyr-Daimler-Puch. It will be making 50,000 Voyagers a year by 1994-95.

Voyager and the Jeep ranges have spearheaded Chrysler's European sales drive.

America's sudden interest in exports is not confined to Europe. It needs to sell more to Japan - and that requires making right-hand-drive vehicles.

The country's car makers have until recently been reluctant to do so, although the picture is now changing. As it does, new market opportunities will open up in Britain, Australia and the many other countries around the world which drive on the left.

Chrysler has already engineered some current models for right hand drive, and says all future models will be. GM and Ford are thinking along the same lines.

Kenneth Gooding examines developments in leasing

Taking the hassle factor out of driving

It has taken 11 years, but the British government's determined effort to tax the company-provided executive car out of existence is now bearing fruit. Very many UK companies are now thinking about offering managers cash instead.

But, given that most executive cars are non-essential "perks" provided as part of a package to attract the most suitable candidates for senior management jobs, companies know they must tread warily.

While many companies would prefer to get out of the business of car provision entirely, they recognise they must offer alternatives which take the "hassle factor" out of personal car ownership.

This is where employee car leasing schemes come in. These schemes aim to give individual employees access to the economies of scale in car purchase, maintenance and administration more typically associated with fleet operation rather than individual ownership.

So today, fleet managers are not just considering which method best suits their organisation when executive cars must be acquired, they are also having to deal with the complexities involved with "cash for cars" schemes or whether they should support personal leasing plans.

Mr Colin Grant-Wilson, managing director of Lease Plan, says that employee leasing, from the employee's point of view, is of particular relevance to people who have "perk" company cars, have relatively high-cost company cars and who have to pay higher rates of marginal taxation.

He suggests that personal leasing schemes would have been introduced very quickly if the UK had elected a Labour

party government which then had implemented the personal tax changes promised before the recent general election.

Because the Conservative party was re-elected, the immediate pressure for change has been eased slightly.

"Personal leasing will eventually be an important part of the company car scene. But it will take time. Not many companies are prepared to be pioneers," suggests Mr Grant-Wilson.

Those companies willing to push forward rapidly are offering support to leasing companies in various ways - such as deducting from salaries the employee's payment to the leasing company and acting as guarantor should an employee default on payments or leave the company.

However, the Inland Revenue has yet to decide whether such an agreement is sufficiently at arm's length from the employee and that the car is not a company car by another name and therefore liable to company car tax.

Because of grey areas such as this, Lease Plan is still some months away from finalising details of its own personal leasing schemes.

Mr Grant-Wilson says that, when they arrive, the new programmes will allow companies wishing to move from a company car scheme to manage effectively the

transition to an employee leasing arrangement.

"In this way, continuity of benefit levels will be maintained and employers deciding to discontinue or reduce their company car schemes will have the assurance that their employees have a viable alternative which will not expose them to the full economic risk of operating an individual car. As with a company scheme, Lease Plan would underwrite the residual value and maintenance budgets and so provide fixed-cost motoring for the individual."

There will still be some drawbacks. For example, leasing companies will have to recover their higher administrative costs associated with handling a large number of individual customers. Charges would also have to reflect the fact that individuals are usually not such good credit risks as corporations.

It is worth recalling that the "perk" cars were started because companies in the 1960s and 1970s were looking for other ways to reward employees because high personal taxes made simple pay increases relatively unattractive.

The government's counter-attack started in 1979 when it said it aimed to reduce the UK's personal tax rates but, to compensate, it also wanted to eliminate the provision of "perks" being handed out in lieu of extra pay.

The screw has now tightened to the extent that, according to Mr Tony Vernon-Harcourt of Monks Partnership, the remuneration advisers, 10 to 15 per cent of UK companies will probably cease to provide executive cars and give managers cash instead. These typically will be the financial institutions with a small number of highly-paid staff who all do low annual mileages or US-owned companies who dislike the UK company car system on principle. Another 25 per cent of companies will include a cash alternative among the choices offered to senior people, he suggests.

There are other clear trends in the company car sector: the cars provided are generally getting smaller, companies are keeping them longer and there is a small but steady shift away from companies buying cars outright - still the most popular method of acquisition.

Mr Vernon-Harcourt suggests that this trend has probably been accelerated by the recession and the lack of availability of funds. With the banks reluctant to stump up new loans, companies are preferring to use the financial facilities available to them for other things apart from cars.

This year's budget again increased the amount of income tax which individuals must pay for the benefit of using a com-

pany car. The budget might also affect companies' acquisition policies because it raised from £2,000 to £12,000 the limit on the cost of cars above which capital allowances and tax relief for lease rental payments are restricted.

This makes contract purchase schemes relatively less attractive because these were developed in response to demands from customers wanting to avoid the £2,000 rental write-off restrictions.

Conversely, it should increase demand for contract hire because the entire contract hire rental on cars costing up to £12,000 - which covers the bulk of vehicles bought by fleets - can now be offset against pre-tax profits as an allowable business expense.

This important change does not really have an impact on executive cars which cost more than £12,000. The £2,000 limit was fixed in 1973 when that sum would have bought an executive car. To have kept pace with inflation the chancellor would have had to lift the limit to £22,000.

Contract purchase also continues to offer real benefits to those companies or organisations - such as banks and insurance companies - which have difficulty clawing back any VAT they pay. Under the terms of a contract purchase scheme, companies avoid paying VAT on the pur-

chasing component (but not on the service and maintenance element).

The primary disadvantage with contract purchase is that, as it has been developed from hire purchase, a deposit must be paid up front.

Some companies use lease purchase - another name for hire purchase - when acquiring company cars. This method enables the vehicle to be bought for a nominal sum at the end of the contract period. In contrast, with finance leasing, the leasing company is the legal owner of the car and must bear all the operating risks.

Also on offer as a method of acquisition is contract hire, which is a lease under which a contract hire company provides specific services in addition to finance and carries certain risks, mainly the risk associated with a car's residual value.

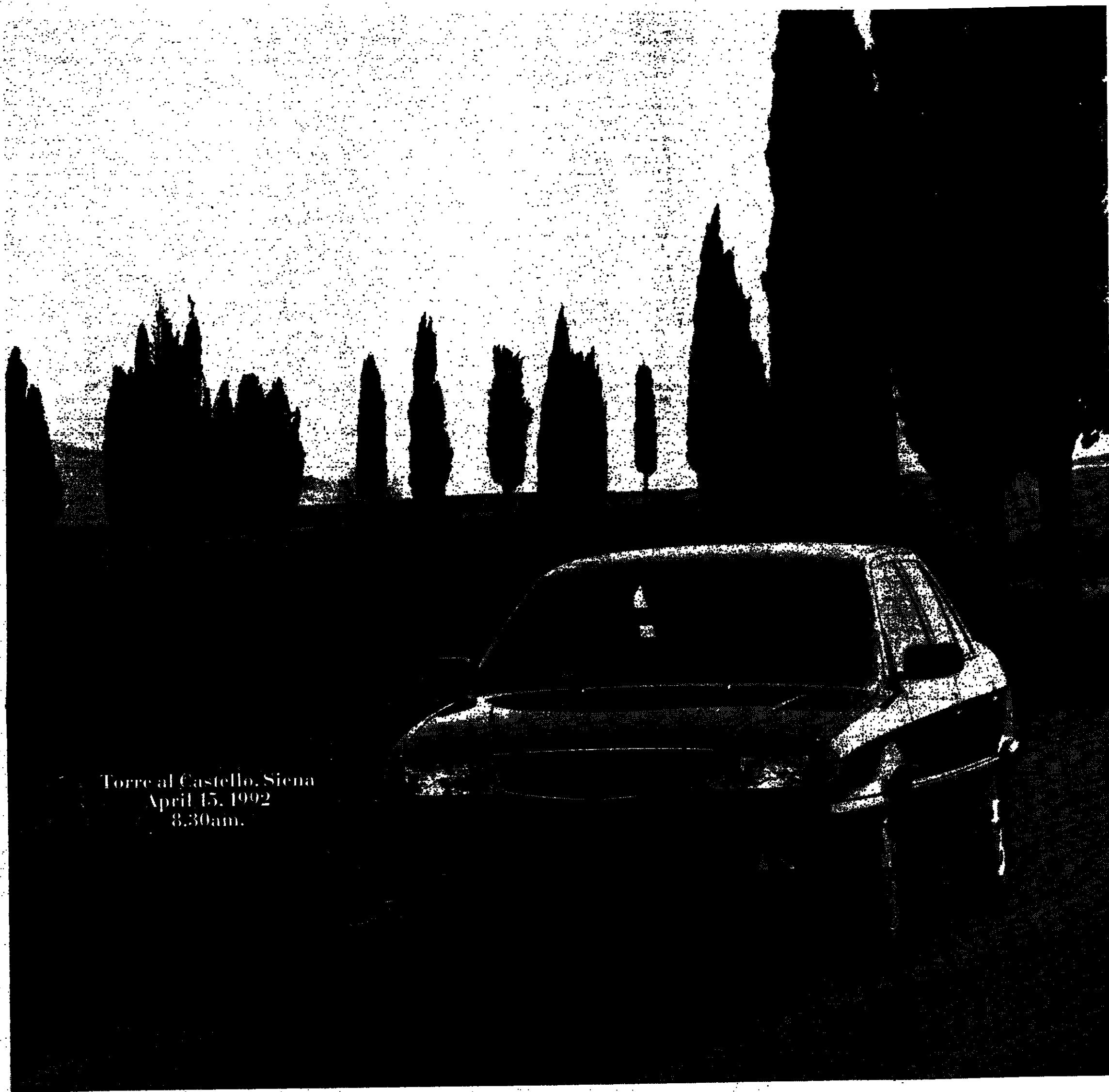
Fleet management contracts remove from the fleet user the administrative burden of running company cars and keeps costs under tight control.

But financing of cars is quite separate from their management - this might cause administration complications - and all the operating costs and residual value risks remain with the fleet user.

The car leasing companies so far have been carefully tailoring their contracts to suit the demands of their customers within the constraints of a changing tax system. Those customers have been corporations.

Now, like the company fleet manager, the leasing groups are having to re-think their position and consider how they might develop contracts to suit individuals as well.

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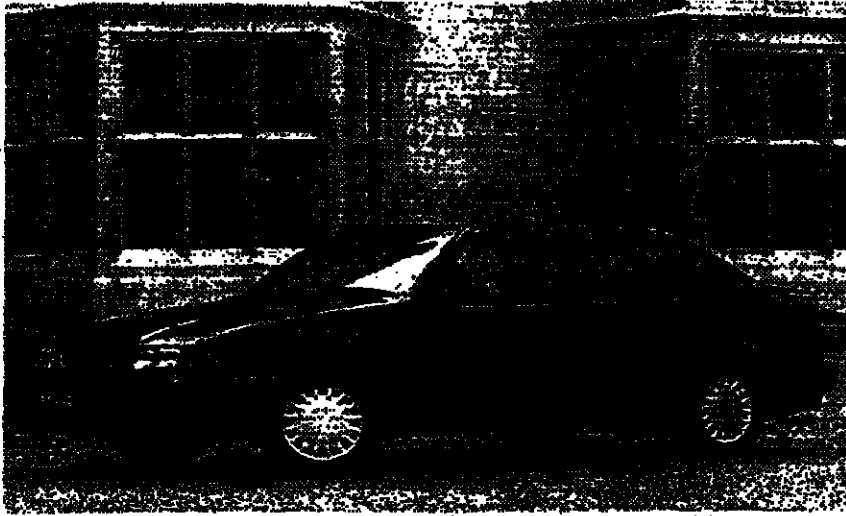
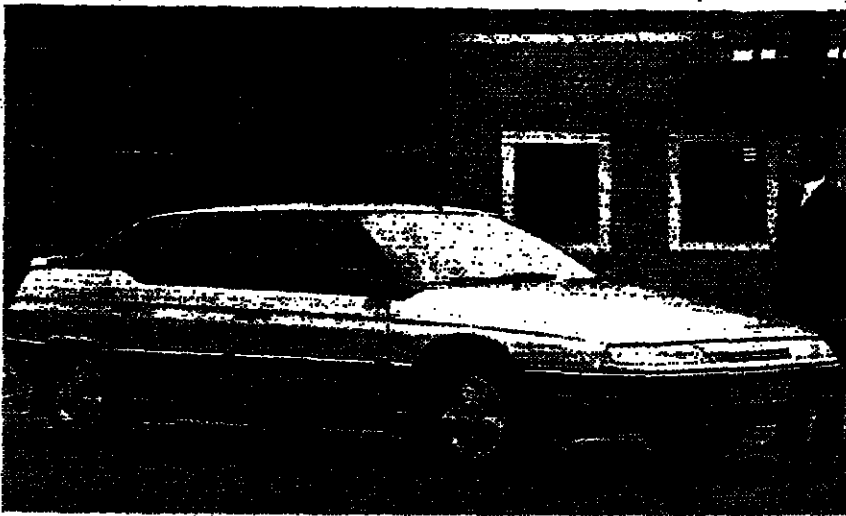


MR/MRS/MISS/MS (initials)	SURNAME	ADDRESS	PHONE HOME
PHONE BUSINESS	PROFESSION	POSTCODE	CURRENT CAR MAKE
MODEL	YEAR	REPLACEMENT DATE	



Manufacturer's List Price (correct at time of going to press) including car tax and VAT. Delivery charges (12 month's road fund licence, number plates, delivery to Dealer, and P.D.I.) are £550 inc. VAT. *Exterior steel. †0-60mph: 7.2 secs, Performance Car July '91.

EXECUTIVE CARS 11

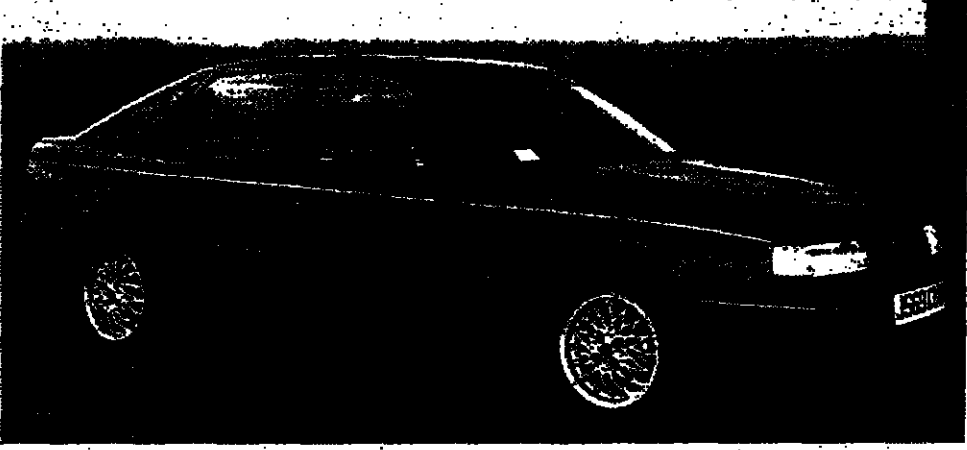


The Citroën XM 2.0 Si (above), Saab 9000 CS 2.0S (centre) and Fiat Croma 2.0i SX: all have essentially the same chassis platform and are of a similar body size

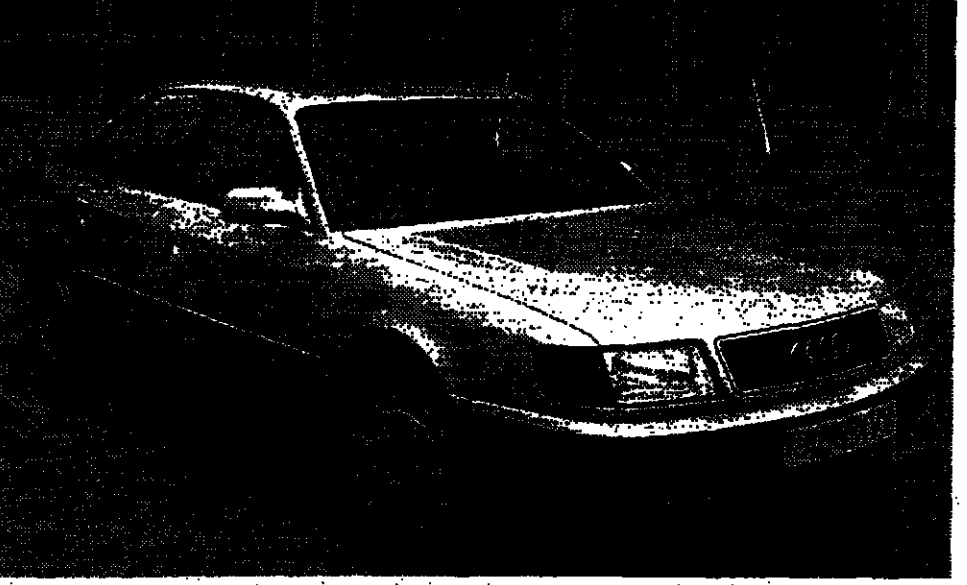
□ HOW THEY GO

Two litres is quite enough

Unless status means more than a combination of performance and reasonable economy, there is every incentive to go for a modern, high-efficiency 2-litre engine. Stuart Marshall assesses the latest range of vehicles and finds an embarrassment of choice



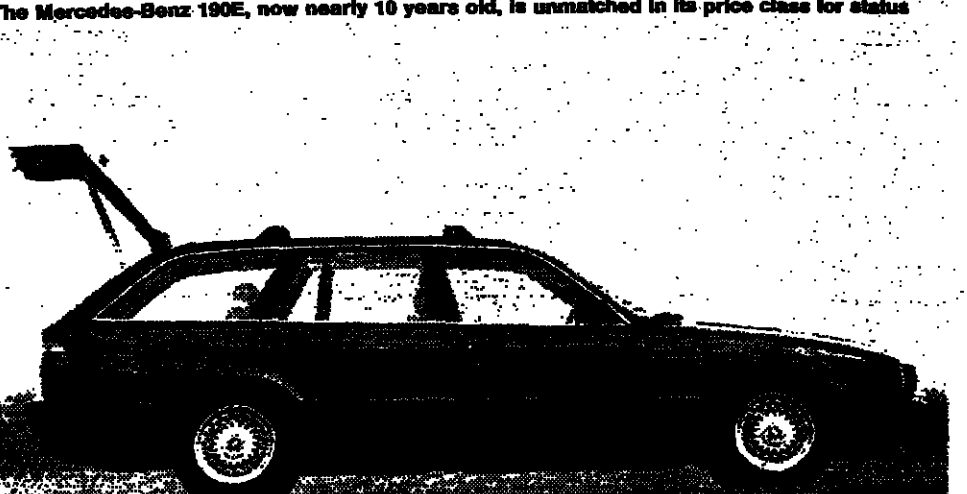
The Nissan Primera 1.6 LX (top) — well-balanced and pleasant to drive, the Vauxhall Cavalier Diplomat (centre) — sets a European standard among medium-sized, front-wheel-driven cars, and the Toyota Carina E (above): production is scheduled to start in Derbyshire in December



The Audi 100 (above) and the Audi 80 are available in seven versions under the £19,250 tax break.



The Mercedes-Benz 190E, now nearly 10 years old, is unmatched in its price class for status



New estate cars that are viable and attractive alternatives to the company saloon for business use: the BMW 5-Series Touring (left) and the Ford Granada Estate

WHEN the price-only instead of price-plus-cubic capacity tax banding comes in later this year, business motorists will no longer have to choose between an under 2-litre car and a hefty financial penalty.

Even so, there will still be every incentive to settle for an under 2-litre unless the car is a diesel. These need a larger engine to give performance on a par with that of a petrol-powered car.

The fact of the matter is that unless status means more than

Two factors have been concentrating the car makers' and importers' minds: the 2-litre tax break and the recession

a combination of performance and reasonable economy, a modern, high-efficiency 2-litre engine is quite big enough.

In the under-£19,250 category, there are some excellent four- and five-seat, 2-litre business class cars about.

They have the acceleration and the unusable maximum speed of 3-litre cars of a few years ago. When motorway cruising they are so refined it is hard to hear any engine noise over the swish of tyres and rustle of air.

Cars of this class are so good that choosing between makes and models has more to do with looks, equipment levels, service back-up, warranty terms and key-in-hand price than actual performance.

Two factors have been concentrating the car makers' and importers' minds. These were the 2-litre tax break — soon to be swept away — and the effects of the recession on sales. The makers' and importers' answer was to say never mind the engine size, get a load of the goodies — and the price.

There is an embarrassment of choice. Alfa Romeo's new front-wheel driven 155 has just come to Britain with 1.6-litre and 2-litre engines as well as a 2.5-litre V6 after making an encouraging start in Italy. It is an agreeably sporty car of individual appearance.

Citroën's XM, with its semi-active, self-leveling gas-by-dramic suspension, rides like no other car. While not in the least quirky, it could never be mistaken for anything else. The new XM Premiere 2.0i has ABS brakes, alloy wheels,

ultrasonic alarm and a stereo system with steering wheel controls yet it costs only £16,995.

Another £2,250 buys the 2.0i Prestige (£19,245) which also has automatic transmission, climate control and leather upholstery.

A similarly equipped, leather-trimmed, automatic version of the Fiat Croma 2.0i SX — the only model now sold in Britain — is priced at less than £16,250.

A two-pedal Lancia counterpart, powered by the same sixteen 16-valve engine with counter-rotating balance shafts, is £18,575.

These cars have essentially the same chassis platform and are of similar body size to the Saab 9000 CS and CD saloons which are among the best buys in class at less than £19,250. These solidly built, spacious cars have light-pressure turbo-charging which, exploited discreetly, gives them the flexibility and pick-up of a 3-litre six with the fuel economy of a 2-litre four.

The Audi 80, recently re-launched with a boot as generous in size as the old model's was, and the Audi 100 are available in seven versions under the £19,250 tax break although, sadly, none of the Quattros with four-wheel drive squeezes under the barrier. Like the Saabs, they combine

passive safety — although the Audi Pro-Con-Ten steering column-shortening and seat belt-tightening crash protection system is unique — with the kind of handling and roadholding to please the keenest driver.

BMW's super-smooth six-cylinder 2-litre engine can be had in both 3-Series and 5-Series four-door saloons for less than £19,250. There is a *jolie de vivre* about these cars that few other makes can duplicate.

The comfort of the Ford Granada 2.0 LX's ride always impresses. This large hatchback or saloon is offered with automatic transmission for less than £19,250. Until the new Swindon-built 2-litre Honda, currently code-named Synchro, appears, the only Honda saloon

in the under-£19,250 executive class is the Japan-sourced Accord.

Japanese named cars will have to be taken with increasing seriousness by user-chooser and fleet manager alike. At the moment, the only British-built, and thus generally fleet-acceptable, Nissan is the Primera.

For mechanical refinement and build quality it has few if any class rivals and it is an extraordinarily well-balanced and pleasant car to drive.

Toyota's answer to the Primera is the new Carina E, launched in Britain with 1.6-litre and 2-litre engines in May. For the time being, the cars are being imported from Japan but in December production starts at Burnaston, Derbyshire. The Carina E will then be another genuinely British car even though it has a Japanese name.

Primera and Carina E both look and go remarkably like their Vauxhall Cavalier (Opel Vectra) equivalents, which still set a European standard among medium-sized, medium-priced, front-wheel-driven cars. The latest Vauxhall Cavalier Diplomat, leather-trimmed, with heated seats and standard air conditioning, is a mini-Sentor available for less than £19,250 with manual transmission.

Renault's admirable 25 replacement, the Safrane, is expected to sell in Britain for a similar figure with a 2-litre engine and automatic transmission when it arrives in early autumn.

Safrane majors on ride quality and silence. The Mercedes-Benz 190E with 1.6-litre or 2-litre engines, now nearly 10 years old and due soon for replacement, is unmatched in its price class for status and sheer merit.

Its bank-vault build quality and conservative styling pay off in high retained values. The pleasure of driving one is to be equated with the feeling one gets when upgraded to first from business class.

The Peugeot 605 SLI 2.0, steel sprung but otherwise similar mechanically to a Citroën XM, is a roomy, quiet and undemanding drive. Rover's 620, restyled and improved within the past year, has build quality to match that of any European rival and is a driver's car which passengers enjoy equally.

Volvo's five-cylinder, front wheel-driven 850GLT is an out-

standing newcomer. It may look rather like a mid-1980s rear drive Volvo, but everything about it is original — except, that is, the styling. Performance is lively, the ride is good, the handling supremely safe and, should the worst happen, its crash survivability is probably unmatched.

A feature of the past year has been the appearance on the market of some new estate cars that are viable and attractive alternatives to the company saloon for business use. Among them — all available for under £19,250 — are the Audi 100, BMW 5-Series Touring, Citroën XM and Ford Granada.

The old days when estate cars were noisier than saloons have long gone. In none of these would one know there was a massive load space instead of a boot unless one

turned around in the driving seat.

Some business drivers reckon that if the company is going to give them the choice of any car costing less than £19,250 it might as well be exactly what they want and choose a recreational four-wheel drive.

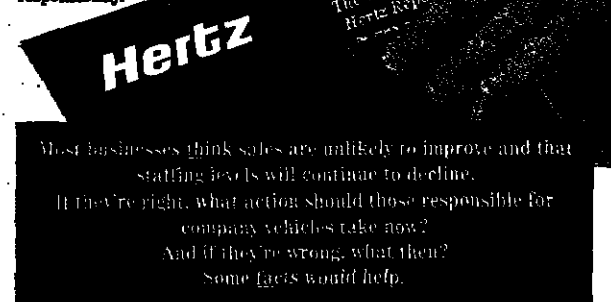
The three contenders are the Land Rover Discovery (from £18,021 for a 2.5-litre diesel) and the Japanese-made Mitsubishi Shogun (from £18,899) and Isuzu New Trooper (£15,149 upwards). Although designed and built to cope with off-road driving, most spend the majority — and many the whole — of their lives on tarmac.

They cannot match an executive car of similar price for fuel consumption or ride comfort and there is a certain lack of finesse about their handling. Having said that, there is something rather attractive about their high driving position which gives a commanding view of the road.

Any of them will cruise reasonably quietly at the sort of speeds which business drivers use. And, of course, at week-ends they will tow two-horse (or one boat) trailers better than any other kind of car. Should the need arise to tackle mud, snow or flooded roads, they are in a class of their own.

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Nature of your company's business

Number of company vehicles

Current acquisition method

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EXECUTIVE CARS 12

Deliveries are to start within the next few days of by far the fastest and most expensive road-going Jaguar cars ever built.

Buyers from around the world are each paying £350,000 – enough to acquire 12 “ordinary” Jaguar saloons – for a limited production run of 350 examples of the XJ220, a mid-engined two-seater sports car capable of 212mph.

But environmental considerations mean that the big, 542 brake horsepower “supercars” are likely to be the last of their type – at least from Jaguar, according to JaguarSport, a 50-50 joint venture company set up in 1988 between Jaguar and Mr Tom Walkinshaw’s racing organisation, which has developed and is making the cars.

The XJ220 is one of several 200mph-plus supercars, each costing up to £350,000, currently making their debuts.

Most were conceived towards the end of the economic boom of the late 1980s.

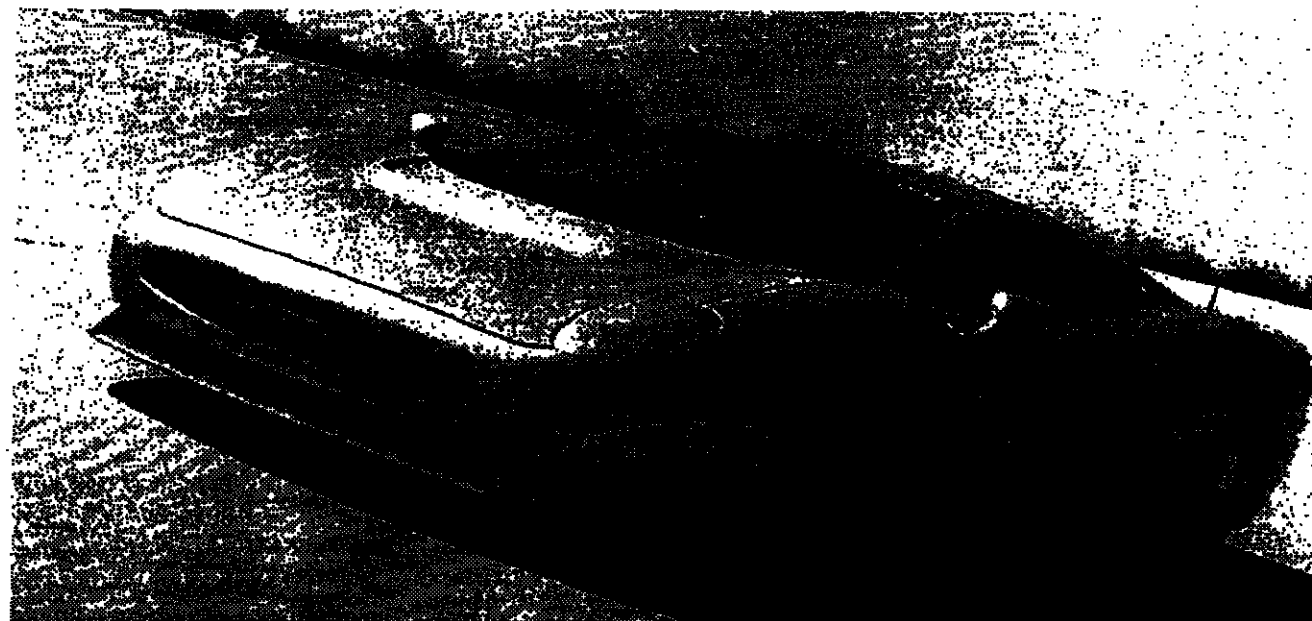
But their appearance coincides with widespread recession and almost exactly with the Earth Summit in Rio de Janeiro, with its concerns about the adverse impact on the environment of the motor vehicle.

“We all recognise that a long-term shift is taking place in what will appeal to buyers. No-one can afford to ignore the environmental issues”, acknowledges Mr Bill Donnelly, sales and marketing director of JaguarSport.

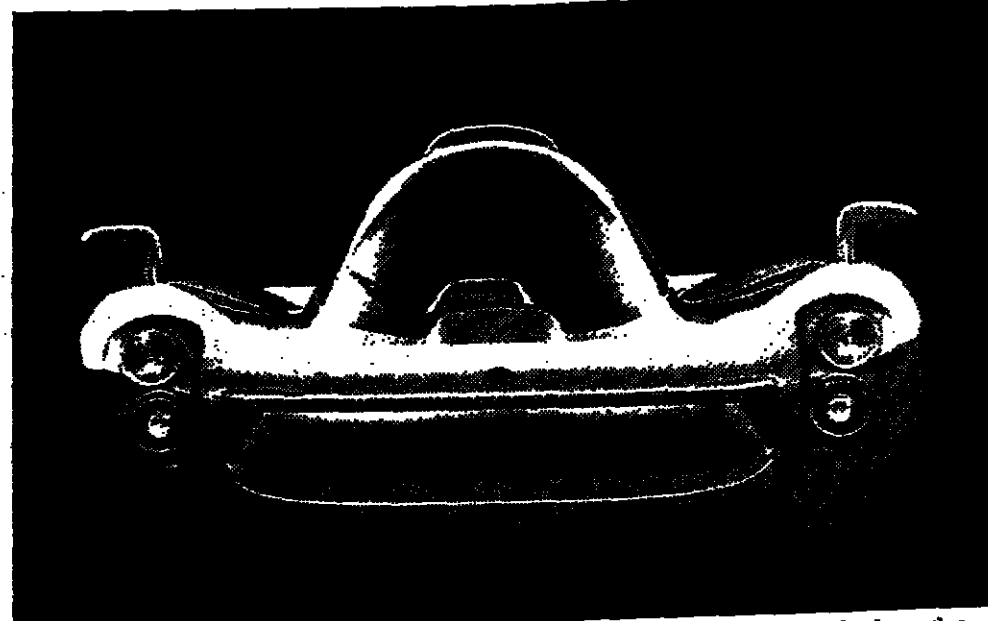
For that reason, he suggests, the XJ220 will probably turn out to be the ultimate road-going Jaguar.

“We’ll take a different slant in the future, something smaller and lighter, with the emphasis very much on weight-saving”.

A further irony is that the new wave of supercars is rolling towards the market at a time when it is becoming



Jaguar's XJ220: A £350,000 mid-engined, two-seater sports car capable of 212mph. It may become the ultimate road-going Jaguar



Yamaha's OX99-11 single-seater uses a de-tuned version of its Formula One grand prix engine

THE SUPERCARS

Environmental issues may apply the brakes

increasingly likely that the last country in which their performance could be used to the full, Germany, will have its autobahns speed-restricted not by its own, but common EC legislation.

At Monte Carlo, McLaren Cars – a subsidiary of the grand prix racing group – has just given the motoring press its first glimpse of the F1, McLaren's own roadgoing, £550,000 “supercar”.

Based on grand prix technology, it will go on sale next year.

Yamaha of Japan last month unveiled the OX99-11, a street-legal machine which uses a de-tuned version of its Formula One grand prix engine and

which has room for only the driver.

Reflecting the unique status of the UK as the world centre for motor sport-based technology, the “OX” will be produced not in Japan but Yamaha Motor's UK subsidiary, Ypsilon Technology, at Milton Keynes.

It is also expected to cost more than £500,000.

The Bugatti name has been resurrected for a 200mph-plus supercar due to enter production later this year in Italy, rather than Bugatti's native France.

These cars eclipse in price and performance even vehicles such as Ferrari's F40, the Lamborghini Diablo and Porsche 959.

The question is, who will buy them? The answer from all their makers is that they are being snapped up by discreet, exceptionally wealthy entrepreneurial types scattered in small numbers around the world.

And unfortunate though the timing of the XJ220's launch is in many ways, Mr Donnelly insists that all 350 cars are pre-sold.

According to JaguarSport, 1,500 would-be owners have applied to buy the cars, backing their orders with the requisite £50,000, non-refundable deposit.

However, the market for

used Ferrari and other classic sports car markets has suffered the most spectacular collapse in its history over the past two years. And there is increasing speculation within the investment car market about whether JaguarSport's confidence and that of other supercar makers may prove misplaced.

The order terms for the XJ220 allow holders to sell their options to another party.

Originally, this was seen as offering the potential for a premium. But the recession has meant that some would-be owners have needed to make a distress sale in an attempt to recoup the £50,000 – and to avoid payment of a second

£50,000 tranche due under each contract six months before a car is delivered.

Worse, according to stories doing the rounds of the international “investment car” market, some would-be sellers have had difficulty disposing of their options.

Fearing that they might have to fulfil their contractual obligation to buy the car, at least some are said to have formed so-called shell companies into which to sell their options – and which it would be pointless for Jaguar to pursue for payment.

Jaguar and JaguarSport profess themselves to be relatively unperturbed.

The part payment system

means that JaguarSport should get warning of potential problems at least six months before construction of that particular car is due to start.

“If there are problems, it simply won't get built – at least not until another firm buyer is found”, said a Jaguar spokesman.

With an expected total world market for new cars this year of just under 40m, in percentage terms the XJ220 and its cohorts represent an almost infinitesimal proportion of the market.

McLaren Cars plans to make only 300 of its extraordinary F1, a three-seater with the driver's seat in the middle and an array of mind-stretching tech-

nology including fan-assisted suction to stick it more firmly to the road.

Yamaha's production plans have yet to be disclosed, but total envisaged production also does not exceed a few hundred.

About 200 units a year are envisaged for the Bugatti EB110, a 200mph-plus supercar from an Italian-based reincarnation of Bugatti, perhaps France's most famous pre-war make.

By comparison, Ferrari is a common volume producer: it builds 4,000 cars a year – and even the most expensive Testarossa sells in the UK for a mere £130,000.

John Griffiths

MINIVANS

People-carriers could even reshape the markets

Vehicle makers are betting that European buyers will like the people-carriers that are being planned for the next few years. Between them, they are laying down an extra 400,000 units a year to serve a market which, in the mid-1990s, amounted to only 35,000 units.

There will probably be customers for them. But it seems very bold to risk large sums on a niche which still accounts for less than 1 per cent of the overall market. Indeed, the phenomenon is so recent that the category does not yet have a universally accepted name. The Americans call them minivans. Most Europeans refer to them as people-carriers or multi-purpose vehicles (MPVs). In France, the Académie française pronounced that the correct title is monospace.

Whatever the vehicles are called, they are distinctive enough. They are the tall vans with three rows of seats and accommodation for seven. Their attraction for large families is obvious. But their appeal in the future may be so wide that it reshapes the company and executive car markets.

Europe's best known example is the Espace, built by Matra and sold by Renault. It captured almost half of all minivan sales last year. This amounted to about 46,000 units out of a western European total of 98,000, according to Ms Carol Thomas, manager of DR/McGraw Hill's European light truck service.

More importantly, it is a highly profitable niche for Renault. Europe remains loose change compared with the performance of last year's minivan market in the US. More than 877,000 units were sold there, with Chrysler's contenders taking 45 per cent of the market.

Neither did the popularity of minivans in America go unnoticed by Japanese companies, which developed strong contenders for the business. It was a little too strong for Detroit's Big Three, which asked the US Commerce Department to investigate Japanese pricing policies. The result was the recent Commerce Department ruling that Toyota and Mazda are dumping minivans in the US.

The experiences could give Japan's car makers a flying start as Europe's minivan market starts to take off.

Chrysler introduced America to the minivan a decade ago as part of its crucial restructuring. It is such a success that the company and the category are almost synonymous.

Now Chrysler is hoping to repeat the trick in Europe. Its Eurostar joint venture in Graz with Steyr-Daimler-Puch, the diversified Austrian engineering group, started assembling Voyager minivans last October. Production is slowly being built up. It will move to an annualised rate of 27,000 units in August, and double that by 1994-95.

“This plant can do 50,000, and 100,000 with ease,” said Mr Lee Iacocca, Chrysler's chairman, at the plant's formal dedication in April.

It may have to if Chrysler wants to repeat its American market share in Europe. DR/McGraw Hill's growth predictions for the European segment over the next five years see it moving from last year's total of just under 100,000 units to about 400,000. That would represent an 11-fold increase in little more than a decade – growth unmatched by any other significant sector of the car market.

Minivan sales are unlikely to reach the volumes they have in America, even though Europe's car market is larger. The reason, according to professor Garol Rhys of Cardiff Business School, is lack of space. “Often these products [in America] are the replacement of the fifth car,” he says. “You can't even park one car in Fulham. Where do you put two or three?”

Prof Rhys, a motor industry economist, adds: “In Europe, we have a much higher population density. That's going to put a top on buying vehicles much sooner than you'll see in places like New Zealand, South Africa, Canada and the rest.”

Ms Thomas believes many

European minivans will increasingly be bought at the expense of large cars and estates. She thinks they have distinct image advantages over more utilitarian estate cars, such as lofty, Range Rover-style visibility and more futuristic styling.

Unquestionably, the size of the segment will be dictated by the arrival of all the new models planned for the next few years. Car makers will be in trouble if they don't find homes for all the vehicles they will then be capable of making.

The development will also spell the end of the Espace's current market domination,

which leaves the Chrysler Voyager, Toyota Previa, Nissan Prairie and a few others mopping up the oddments.

As the Austrian Voyager factory gathers speed, Nissan's Motor Iberica unit in Barcelona will start making a model to be known as the Serena. Production begins this September, and will eventually reach 50,000 a year. With 80 per cent local content – including petrol engines from Nissan in Britain – it will not be subject to all the sales curbs imposed on cars imported from Japan.

There will then be a slight lull in European activity before two substantial joint ventures reach fruition in 1994, those between Peugeot and Fiat and Volkswagen and Ford. The intention in each case is to share design and development costs, but to market the products in competition.

Peugeot and Fiat are investing FF55bn to bring their shared vehicle to market. It

will be made at a rate of up to 150,000 a year in a new facility near Valenciennes, northern France.

The \$2.8bn VW/Ford collaboration is at a new factory being built in Setúbal, Portugal. It will come on stream at the end of 1994, and will have an eventual annual capacity of 180,000.

All this activity would leave General Motors as the only main European maker without a competitor in the class.

However, reports from Detroit suggest the corporation will plug the gap in its model line-up by having its European Opel and Vauxhall dealers sell a new, US-made minivan from 1995.

So far, none of the lower volume, upmarket companies has announced any production plans for minivans, though Mercedes-Benz exhibited a concept vehicle early last year. Volvo is in a good position to join the segment thanks to its steadily increasing ties with Renault, the category's market leader. Each company has stressed that all future models will start with shared chassis and drivelines.

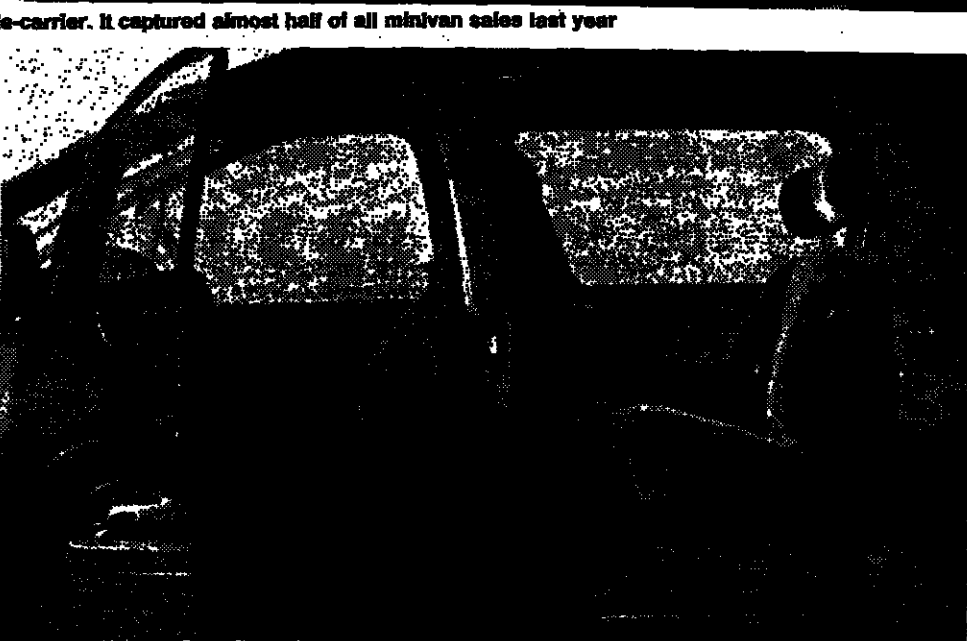
Richard Feast



The Renault Espace: Europe's best-known example of the people-carrier. It captured almost half of all minivan sales last year



The Toyota Previa: mopping up oddments. Some experts believe minivans will be bought at the expense of large cars and estates



Chrysler Grand Voyager: More than 877,000 minivans were sold in the US last year. Chrysler units took 45 per cent of the market



Nissan Serena: production will begin in September at Nissan's Motor Iberica unit in Barcelona

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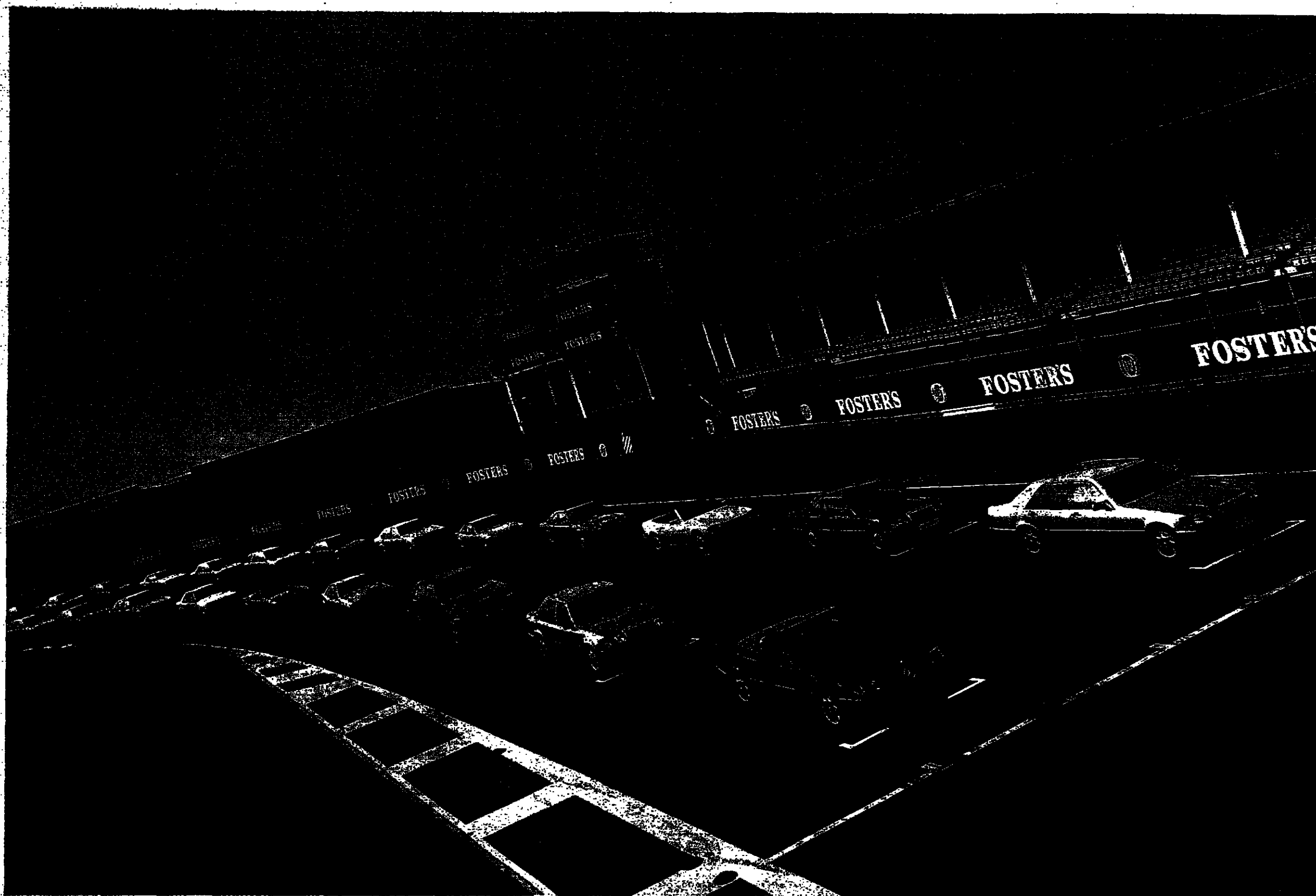
By including Sanjour's name on the list, the company is making it more difficult to trace.

Sanjour's production plant is to be closed in an "unplanned" production cut that expects a few hundred jobs will be lost. The plant is being sold for the highest bid by a Minneapolis-based firm, an Indian-based firm, or a Singaporean company, says a Sanjour spokesman.

Sanjour's most famous product is the "Santal de Indes" perfume. It is produced in the Dominican Republic and is sold in 4,000 stores a year in the most expensive markets in the U.S. and Europe.

John Griffin

S



If the 1992 Grand Prix drivers parked their Mercedes on the grid at Silverstone, this is what it would look like

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What do 27 of the 34 Grand Prix drivers drive on their day off?

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EXECUTIVE CARS 14

□ USER PROFILES: The US

Cars reflect austerity and recession

IF extravagance and ostentation were the catchwords of the booming 1980s, the 1990s have been heralded in by recession and austerity which is reflected in the cars many executives now drive.

With companies shoring up their balance sheets by cutting back on many perks, the days when almost every US executive had a company car already seem like a distant age. Indeed, many US executives are loathe to admit that they even drive luxury cars, even when they have purchased their cars themselves.

According to a partner at a global investment bank who did not wish to be named, "Executives are as interested in being comfortable as ever, but they want to be less ostentatious about it. This is an age of subtlety; there are fewer turbo-charged cars and fewer Bentleys."

His sentiments were echoed by Mr Mark Spiegel, a principal at Major Development, a commercial real estate brokerage company. "In the 1990s, ostentation is allegedly out and people are buying cars like the Lexus because they don't want to be seen driving a Mercedes."

The bank executive, a self-described car buff, owns several collectors' cars and high performance cars but drives a 1991 Lexus LS400 as his basic transportation car.

"When I bought it, I compared it with BMWs, Mercedes, Lexus and Infiniti. The Lexus was far and away, in my judgment, the best combination of aesthetics, perfor-

mance and value for the money."

In spite of the recent resurgence of more nationalistic sentiments in the US and a concerted push by unions and the auto industry to get more Americans to buy American products, most executives tend to pay more attention to the car itself than to the maker's nationality when spending money on a luxury car.

The value associated with the relatively new Japanese cars has made them increasingly appealing to US executives

American cars have improved immensely in the past few years and cars such as the Taurus have become competitive on the world scene. "But the quality of Japanese cars is up even more," according to Mr Spiegel.

The value associated with the relatively new Japanese cars has made them increasingly appealing to US executives looking for a new luxury car. "The Lexus and Infiniti offer 90 per cent of what Mercedes offers for about 60 per cent of the money," says Mr Spiegel.



Lexus LS400: "In the 1990s, ostentation is allegedly out and people are buying cars like the Lexus," says one property broker

The after-purchase maintenance programme is another attractive feature of the Lexus. "I have almost 30,000 miles on my Lexus and it has cost me nothing in terms of maintenance," the bank executive

said. "And when it has a scheduled maintenance, they pick it up, service it, wash it and return it to my garage. And in the interim they leave me a loan car while mine is being serviced."

"It's been free, it's been 100 per cent reliable and 100 per cent convenient; and it was probably 50 per cent cheaper than the comparable Mercedes. It's extraordinarily good and has no down-side as a basic

form of transportation."

Mr Spiegel, who drives a Porsche 911 and a Taurus SHO, the high performance version of the Ford Taurus, was less willing to give up performance for comfort.

"I look at performance, totally," he said. "Acceleration, steering feel, handling and braking ability are all important. But I'd say 90 per cent of the people who get in my Porsche would choose a more comfortable car for the money."

The average 55mph speed limit in the US makes high speeds less of a factor when choosing a performance car than it would be in many Euro-

Later models of the car are even more attractive, with better transmissions, anti-lock brakes and air-bags

pean countries. "Top speed is pretty impractical, at least in the US," says Mr Spiegel. "You can get short bursts on some stretches of open highway, but that's about all, otherwise you can say goodbye to your licence."

According to Mr Spiegel, who races his Porsche, one of the car's main advantages is that it is one of the very few cars in the world you can drive to work every day but can also drive on the race track. "The brakes don't fade and the steering is phenomenal on the track."

One of Mr Spiegel's main concerns is that his car should not look too expensive. "Anti-theft systems have become so good in cars that the only way for someone to steal some of these cars is at gunpoint."

"There is nothing about the Porsche I'd avoid, but if I could change anything I would try to make it less conspicuous so I could park it in the street instead of a garage."

On his 1989 Taurus, Mr Spiegel would make the brakes larger. "But when you look at the money, it's a phenomenal car in terms of what it does."

Later models of the car are even more attractive, with better transmissions, anti-lock brakes and air-bags. Indeed, executives looking at buying new luxury cars now demand a number of high-tech features which were unheard of only a few years ago including air-bags, anti-lock braking, emission control with acceptable fuel economy and up-to-date tyre technology.

The Lexus driver also appreciates the less essential features - namely a 16-speaker stereo, leather seats and the telephone - which come with the car. "It has all the toys built in," he said.

Mileage still seems to be one of the less important concerns when choosing a car in the US, in part because drivers are still comparing the miles-per-gallon in modern cars to the leviathans of only a few years ago which averaged about 10mpg.

Karen Zagor

□ USER PROFILES: JAPAN

Luxury sector has gained importance rapidly

THE NATION that leads the world in providing innovative, high-quality cars for the common man is beginning to nurture the sort of executive luxury car market at home that for decades has been the mainstay of companies such as Jaguar and Mercedes-Benz in Europe, and Cadillac in North America.

Rather than big business, it is the movers and shakers of small and mid-sized companies situated in the nation's leading metropolitan areas who increasingly are expressing themselves through luxury

At the top end of the market little has changed in decades and style still takes a back seat to status

cars, industry executives say.

"This market is beginning to take off," says Mr Hiroo Watanabe, managing director of Honda's Wako research and development centre, but he admits that Japanese luxury cars still have to develop a distinct identity.

So far, relatively small luxury models have witnessed the strongest sales growth, with the typical executive buyer

owning his own business and interested in a self-driven car for work and play, Mr Watanabe says.

Such customers are enticed into the luxury market by the significant tax advantages of owning a car through a company, he adds. A tax change implemented two years ago under heavy pressure from foreign car makers dramatically lowered levies on so-called three-number vehicles (those with 2,000cc and larger engines) and is also propelling sales.

Sales of cars with 2,000cc and larger engines increased each month in 1991 for a total annual gain of 42 per cent to 724,406 vehicles, marking the sector's sixth consecutive year of double-digit growth. That contrasted with overall declines of 4.6 per cent in total domestic passenger car sales and 1.8 per cent in production.

Indeed, the luxury sector has gained importance rapidly over the past few years and in 1991 accounted for 9.8 per cent of the domestic passenger car market, compared with 2.3 per cent three years earlier, according to the Japan Automobile Manufacturers Association (JAMA).

Toyota was the 1991 luxury market leader with a 44.8 per

cent share, while Nissan came in a distant second at 21.6 per cent.

Honda's line-up of relatively small luxury cars put in a strong showing with a 230 per cent sales gain to 52,166 units, or 7.2 per cent of the luxury market.

The combination of pizzazz and practicality displayed by many of these cars contrasts sharply with the top end of the executive car market, where little has changed in decades, and style still takes a back seat to status.

Despite US President George

Deflation of Japan's so-called bubble economy sparked a 2 per cent decline in 1991 import sales

Bush's hard-sell for American car makers earlier this year and the high-profile delivery of a General Motors Cadillac (with the steering wheel on the wrong side) to Chief Cabinet Secretary Mr Koichi Kato this month, the boxy Toyota Century and Nissan President still overwhelmingly line the traffic corridors of power, where chauffeurs work away with feather dusters on their already gleaming black exteriors.

"Most executives don't have a say in the car. This is the company car and you get to ride in the back of it," is how Baring Securities (Japan) auto analyst, Mr Neal Doying, describes the Japanese attitude toward company fleets. "If you look at what are considered corporate cars in Japan, the old Toyota Century and Nissan President, you would not consider them attractive," he adds. "But if you ride around in the back of one that means you have arrived. In the US it (the company car) is more of personal statement."

Imported luxury cars have been among the most favoured forms of auto expression in recent years, with Mercedes-Benz and BMW leading the way and foreign makers

together accounting for the third largest share of the luxury market.

However, deflation of Japan's so-called bubble economy sparked a 2 per cent decline in 1991 import sales and a more worrisome plunge in luxury market share to 14.7 per cent from 21.6 per cent the previous year, when there were roughly 1m imported passenger cars plying Japanese roads.

The Japan Automobile Importers Association is still counting on the popularity of these high value added vehicles eventually to help it win away 10 per cent of the Japanese car market, compared with 4.9 per cent last year but it expects sales to pick up only modestly in 1992.

The sole bright spot in the import market involved America's 5.3 per cent increase in exports to Japan to 30,128 units - roughly what Japan exported to the US every 5.3 days.

While individual car companies are understandably reluctant to detail their luxury car customers, the Japan Automobile Importers Association released a study last year outlining trends consistent with industry executives' comments about the luxury car market as a whole.

The study shows the average age and income of imported car buyers has been declining as such vehicles become more affordable. The largest group comprised buyers 25-39 years old, while 57 per cent were married workers in the 1988-1990 period studied.

Meanwhile, the ratio of independent enterprise owners and freelancers fell sharply to less than one quarter since the previous study of buyers in the 1983-87 period, the association said.

Another notable feature of the import market was an increase in average car size to the 2,000cc class. Cost-performance considerations also increased, while buyers cited external appearance, and safety as leading priorities in selecting a vehicle.

Nell Weinberg



A Daimler limousine with a prototype mobile office equipped with a computer and other equipment for the executive

Peter Purton reports on in-car communications

Mobile office still awaited

EFFECTIVE management is all about marshalling facts quickly, easily and accurately and about using them to make strong and reasoned decisions.

Over the past few years, most large organisations have constructed computer-based information systems which ensure that managers get these facts delivered to their desks. But what happens when they are away from the office?

The answer for the most part today is that they do not receive the same level of support. And for managers who spend a lot of time out and about this can be a severe handicap.

Comet, the electrical retailing group, is one of the first companies to address the issue. It recently signed a deal with computer maker Zenith for high-performance 386 notebook personal computers each equipped with an internal modem, the object of the exercise is to equip the company's field managers with the means to find out key performance information about the branches for which they are responsible from wherever they may be.

"We never had any problems with the management information available to us in the office, but that information was not getting to managers in the field," explains Mr Tim Walker, manager of Comet's information centre. "The laptops give our managers direct access to our mainframe computer. They can check stock levels, sales performance, budget targets, credit turnover, etc. They can then use the information to either tell a store they are visiting that day to buck up and do better or to congratulate them on their success."

The first phase of the project still uses ordinary fixed telephones as the communications medium.

"Our managers can usually find a handy telephone socket," says Mr Walker. "We wanted to get something in as quickly as possible and we decided that the ordinary tele-

phone network was more stable."

The cost premium of mobile telephones was also considered too much. "What we have now does 90 per cent of what we are looking for, and at quite a reasonable cost. If we wanted to add mobile communications it would have multiplied the costs," says Mr Walker.

Despite the undoubted success of the cellular telephone, one area of mobile communications which has consistently been a disappointment has been that of data transmission. The mobile office, where the car is equipped not only with a mobile telephone but also a fax machine and a networked personal computer, despite many

In the US, fewer than 100,000 of the country's 8m mobile telephone users transmit data via their cellular lines

promises, has never materialised. Not long after the launch of cellular telephones in the UK, representatives from both network operators, Cellnet and Vodafone, were predicting that data would soon account for a significant part of their traffic. It was suggested that as many as 5 per cent of cellular users would use their mobile telephones to send and receive data. In the US, too, expectations of cellular as a medium for data communications were high.

But in both countries the actual results have been disappointing. In the US, fewer than 100,000 of the country's 8m mobile telephone users transmit data via their cellular lines.

In Britain, the number of cellular telephone owners using the mobile telephone systems for data is even lower.

"The problem with today's data communications via cellular networks is the time it takes to set up a link," explains Mr David Proctor, British Telecom's general man-

ager responsible for cellular radio.

Cellular radio networks are organised for voice communications, where a conversation can last minutes or even tens of minutes. In many common data communications applications, all the communicating is done in seconds, sometimes just fractions of a second, says Mr Proctor.

"It can take 15 seconds to set up a link and just a few thousandths of a second to transmit and receive the information; that just doesn't make sense," he says.

Few doubt, however, that there is a demand for mobile data solutions. For field service people, it could provide a valuable link into the office's extensive technical resources, improving productivity. For sales, it could provide a significant boost to competitiveness. And for many managers and professionals, it could allow them to work where before they would have been forced to be idle.

In recognition of this as yet largely unsatisfied demand, and conventional cellular's shortcomings, a number of dedicated radio networks are being planned or built which will be capable of supporting data communications. In Britain, Dowry and Hutchison have launched mobile data services and Ram is planning to do so.

Dowry's Cognito service was launched last August and now claims some 1,000 users. Ram also has a similar number of users including British Airways on a trial basis but is not expecting to launch its system officially until the end of this year. Hutchison officially launched its system last month.

Even cellular looks like it may be given a new lease of life as a wireless data communications medium.

In May, computer giant IBM joined nine of the leading US cellular network operators to develop a data communications service which exploits the idle moments of airtime

between voice conversations.

The group believes data rates of up to 19,200 bits of information a second can be achieved on a pair with the best fixed network dial-up modems.

The new pan-European mobile telephone system, GSM, also promises to improve significantly mobile data facilities via cellular because of its shorter call set-up times, high data transmission rates and digital format.

Terminals especially designed to take advantage of mobile data communications are now becoming available. Last year, US computer manufacturers IBM and NEC and Japanese electronics giant Canon all introduced laptop

It is understandable if users have become more sceptical about any new claims made by the industry

computers with built-in radio data communications facilities, for example.

With so many of the previous promises of the mobile office coming to nothing, however, it is understandable if users have become more sceptical about any new claims made by the industry. It may even be in the industry's interest to allow users to sort out their applications first, then start looking for technologies which will allow them to best implement these applications.

"Mobile data has always been treated as a product sale when it should be seen as an applications-driven sale," says Mr Proctor. "There are lots of opportunities (for industry) but I think we've got to start with the application and work backwards."

Mr Walker agrees. "Right now we want to concentrate on things like the breadth of information available and the variety of people using it. Then we may start to look at making the system fully mobile. But that won't be for some time yet," he says.

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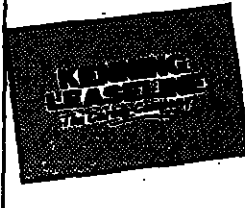
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